

THE WHITE HOUSE ✓

WASHINGTON

December 3

LG: Info report on SOUL CITY

I have been pressing HUD for months to supply Floyd with a specific letter, telling him precisely and with no misunderstandings just what he has to do to go to closing on the Guarantees.

Finally, this is the letter. As you will note, Floyd has a ways to go, but also HUD is waiving some of their usual conditions as a mark of confidence in Floyd. I think this is a fair letter and well within HUD's responsibilities under the law.

Floyd's initial set of financing arrangements has fallen through, and he is going to have to go out now and get new ones. Also note his note tome with the Wilkins' endorsement.

BB return

Brad

Soul City Company
Attention: Floyd B. McKissick
P. O. Box 188
Soul City, North Carolina 27553

NOV 30 1973

Gentlemen:

As you know, on June 28, 1972, the Soul City Development Company on behalf of the Soul City Company (Developer) was issued an offer of commitment (Offer) to guarantee an amount not to exceed \$14 million in principal amount of obligations of the Developer, subject to certain terms and conditions of the Offer. After due consideration of the materials submitted by you in satisfaction of the Offer, we have determined that certain conditions precedent to acceptance of the Offer have not been satisfied. In order for you to accept the Offer and proceed with the issuance of Debenture you must execute and return to us a copy of this letter and provide such additional information and submit such additional documents as set forth below.

1. Debt Restructure

With respect to the condition precedent to acceptance dealing with debt restructure, condition (1), page 2, of the Offer, the Board of Directors of the Community Development Corporation (Board) found the condition was not satisfied. Therefore, the Developer shall, before the Offer may be accepted, submit evidence, satisfactory to us, which demonstrates:

- a. That capital in an amount of at least \$1,500,000 will be available before execution of the Project Agreement (Execution) which shall be at least three days before the First Closing Date, as defined in the Project Agreement;
- b. The identity of all persons who will directly or indirectly contribute capital to the Developer and who shall be approved by us;

- c. The creditors of Floyd B. McKissick Enterprises, Inc. will be paid or otherwise satisfied at such time and in such manner as will be acceptable to the creditors and to us;
- d. To the extent debt restructure involves a sale or transfer of any direct or indirect interest in the Developer or in any person owning or controlling an interest in the Developer:
 - (1) That equity contributions to the Developer cannot be withdrawn;
 - (2) That the terms and conditions of any loan agreement, letter of intent, guarantee, promissory note, or security agreement are not adverse to the interests of the Secretary; and
 - (3) That the identity of any person owning or controlling such an interest in the Developer shall be approved by us.

2. Development and Marketing Strategy

With respect to the condition precedent to acceptance dealing with development and marketing strategy, condition (2), page 2, of the Offer, the Board agrees the condition is partially satisfied and waives further satisfaction before acceptance of the Offer if the Developer agrees that as a condition precedent to Execution:

- a. The Developer shall enter into a contract with a major industrial marketing firm approved by the New Communities Administration (NCA) which shall agree to advise the Developer on specific industrial advertising and promotion tactics and techniques; and
- b. The Project Agreement and other project documents shall contain a provision stating that the Developer shall enter into a contract within the first year with a major industrial real estate brokerage firm approved by NCA which shall agree to assist the Developer in negotiations with industrial companies after initial contact has been made.

3. Revised Cash Flow

With respect to the condition precedent to acceptance dealing with cash flow, condition (3), page 2, of the Offer, the Board finds the condition has not been met. The Developer agrees that as a condition precedent to acceptance of the Offer:

- a. The Developer shall submit a Cash Flow Analysis acceptable to NCA which reflects adequate working capital, restricted Land Acquisition and Land Development as described in paragraph 5, below; and
- b. The Cash Flow Analysis submitted pursuant to paragraph a, above, shall state explicitly the assumptions concerning the computation of Security, as defined in the Project Agreement, to enable projected disbursements.

4. Management

With respect to condition (3), page 2, of the Offer, dealing with organization and staff, the Board agrees that the condition is partially satisfied and waives further satisfaction before Execution if the Developer agrees that as a condition precedent to Execution, the Developer shall secure a general manager with industrial marketing capability and be otherwise acceptable to NCA.

5. Job Base

With respect to condition (4), page 2, of the Offer, which is a condition precedent to Execution, the Board waives further satisfaction before Execution if the Developer agrees:

- a. The Project Agreement and other project documents shall contain performance criteria which shall be conditions precedent to endorsement of guarantees on Subsequent Series of Debentures, as defined in the Project Agreement including the criteria in the draft Project Agreement dated November 9, 1973; and
- b. The Project Agreement and other project documents shall contain provisions which:
 - (1) Restrict Land Acquisition, as that term is defined in the Project Agreement, to land shown as industrial land use on Schedule 2 of the Development Plan, dated November 13, 1973, and no other land shall be acquired without the prior approval of NCA; and

- (2) Restrict Land Development, as that term is defined in the Project Agreement, to industrial or other primary employment purposes; provided however, Land Development for other land uses and purposes may take place when there is evidence, satisfactory to NCA (including but not limited to, letters of intent, purchase agreements and construction timetables), which demonstrates that industrial or other primary employment will take place at Soul City.

6. Other Conditions

In addition to the foregoing, the Developer understands and agrees:

- a. That there shall be no material adverse change in the facts and representations included in the Application, or the business, properties, assets, liabilities or conditions (financial or other) of the proposed partners of the Developer before Execution.
- b. That all other terms and conditions of the Offer dated June 28, 1972, except as modified by this letter, shall remain in full force and effect.

Following your return to us of an executed copy of this letter and our determination you have satisfied the conditions precedent to acceptance, you may accept the Offer. As you know, there are certain conditions precedent to be satisfied before Execution. We look forward to working with you in resolving these outstanding matters.

Sincerely yours,

COMMUNITY DEVELOPMENT CORPORATION

/s/

By: Edward M. Lament

Authorized Agent

ACCEPTANCE:

On behalf of the Soul City Company,
I hereby agree to the terms and conditions
set forth above.

By:

Floyd B. McKissick

On behalf of the National Housing Partnership,
I hereby agree to the terms and conditions
set forth above.

By

George DeFranceaux

1. This commitment is subject to the following conditions:

(1) you shall hold a valid title to the land to be developed in connection with the creation of a new community in Warren County, North Carolina.

(2) you shall hold a valid title to the land to be developed in connection with the creation of a new community in Warren County, North Carolina.

Soul City Development Company

P. O. Box 38

Soul City, Manson, North Carolina 27553

Gentlemen:

You have applied under the Urban Growth and New Community Development Act of 1970 (The "Act") for a commitment to guarantee up to \$14,000,000 principal amount of obligations to be issued by you in order to finance land acquisition and land development in connection with creation of a new community in Warren County, North Carolina.

Based upon the information contained in your application and otherwise submitted by you to us, we have made the determinations required under the Act for purposes of the commitment hereby offered and are prepared, subject to the conditions specified below, to enter into an agreement providing for the guarantee under the Act of up to \$14,000,000 principal amount of obligations to be issued by you for the purposes above mentioned. Our commitment to enter into such an agreement will be conditioned upon our approval of:

- (1) the initial investors (in the case of a private sale of such obligations) or the terms and conditions of the underwriting (in the case of public sale of such obligations);
- (2) the rate of interest to be borne by such obligations or the formula by which such rate will be determined;
- (3) the repayment and maturity provisions of such obligations;
- (4) the provisions with respect to protection of the security interests of the United States, liens and releases of liens, and payment of taxes; and
- (5) all other terms and conditions of the financing arrangements which might affect the interests of the United States.

-2-

Such commitment is subject to the further conditions that:

- (1) your application, at the time the above-mentioned agreement is entered into, shall be determined by us to comply in all respects with the relevant provisions of the Act and all regulations and instructions then in effect thereunder;
- (2) you shall have completed a statement of approved plans in a form acceptable to us as providing a satisfactory basis for supervision, monitoring and evaluation, together with all supporting formal documents or exhibits, and an understanding between us shall have been reached, consistent with the regulations and instructions then in effect, on the specific provisions to be included in the agreement regarding such plans, their implementations, and the related rights and remedies of the Secretary; including (but not limited to) provisions relating to value assigned to land before development, equal opportunity and the broad participation of builders including small builders, marketing strategy, phasing of commercial facilities, and the availability of funds, other than proceeds from the sale of obligations guaranteed by us, to provide for changes in plans or projections which may be required by the conditions herein contained;
- (3) the organization and staff of Soul City Development Company are acceptable to us; and
- (4) satisfactory evidence is submitted and accepted by us that industrial and other primary employers sufficient to provide the initial three-year job base, as indicated in the UIC/SCDC study, intend to locate at or near Soul City.

The Offer of Commitment contained herein shall not be accepted prior to our determination that the following material has been submitted in form and substance satisfactory to us:

- (1) Evidence that the debt of Floyd B. McKissick Enterprises Inc. has been structured to provide for repayment in a manner appropriate to the anticipated income of that corporation.
- (2) A detailed development and marketing strategy for achieving your primary job base.
- (3) Revised cost/revenue projections reflecting the extension of the development period to 30 years. If your revised analysis of industrial development and marketing strategy reveals changes in development pace, initial development costs, revised land sales, revenues or phasing changes, these factors should also be incorporated into the revised cost/revenue projections.

- (4) Adoption by the Warren County Board of Commissioners of a resolution which has as its primary purpose the approval in principle of your new community program. Additional expressions of approval should be obtained from Warren County School Board, Warren County Board of Health, and the North Carolina State Highway Commission.
- (5) Evidence of adequate financing for Kerr Lake Utilities Company or for any successor or assignee satisfactory to us. If financing depends on Federal grants or loans, evidence of each such grant or loan should be provided.

Subject to the foregoing paragraph, your acceptance of the offer of commitment contained herein shall be effected by payment of a commitment charge of \$70,000. If such charge has not been paid within 120 days after the date hereof, such offer of commitment shall expire and shall thereafter be of no force or effect, subject, however, to the reopening and acceptance thereof upon payment by you of such commitment charge and a reopening charge of \$7,000 within 90 days after such expiration. Following acceptance, the commitment shall remain effective for six months, at which time it shall expire unless you have taken all steps determined by us to be required as a pre-requisite to execution of the above-mentioned agreement or unless such six-month period is extended at our discretion.

Sincerely,

COMMUNITY DEVELOPMENT CORPORATION

/s/ Samuel C. Jackson

- (1) By _____ Samuel C. Jackson
(in the case of public sale of the General Manager

- (2) the rate of interest to be borne by each of the _____

cc: Jackson 7100 MN RF 7108
Graves 7100 MN Chron 7108
Mitchell 10260 Project 7150
CPM Files 7133 DeVito

MR:DEVITO:gmc 6-26-72

- (3) _____

Floyd B. McKissick
and the Soul City Foundation, Inc.

cordially invite you to be present at the

Creation

(Historic Groundbreaking)

of

Soul City, North Carolina

Friday, November ninth, Nineteen hundred and seventy-three

Parade, Soul City to Industrial Park, 9:30 a. m.

Historic Groundbreaking Ceremonies, 11:00 a. m.

Keynote Speaker

The Honorable James Holshouser

Governor, North Carolina

Second Annual Banquet and Show, 7:30 p. m.

Soul City Session Featuring

Major Blues, Rock and Jazz Artists

Cameron Indoor Stadium

Duke University, Durham, North Carolina

R.S.V.P. October 26th, 1973

(Card Enclosed)

Dress Optional

Benefit Soul City Foundation, Inc.

(A Non-Profit Tax-Exempt Corporation)

October 23, 1973

MEMORANDUM TO: Secretary Lynn
Undersecretary Simon
General Manager Trevino
Board Member Watson

FROM: Floyd B. McKissick *F. McKissick*
George W. De Franceaux *G. W. D.*

SOUL CITY

We understand that, at the forthcoming review of the Soul City Project by the Board of Directors of the Community Development Corporation on October 24, consideration will be given to imposing several unprecedented restrictions on Soul City's development. In view of the tight time schedule for the Soul City financing, we think it appropriate to make our views plain in advance of the meeting.

Specific proposals which we understand are now being considered would curtail land acquisition, restrict development activity to industrial facilities, and limit the developer's ability to make cash draws from escrow. These conditions would make development of a true new community impossible. As such, they are unwise from the point of view of the security interest of the United States and unacceptable to us as developers.

1. Land Acquisition.

Soul City has been planned as a city of 5,200

cc Mead

acres. Today, approximately 2,200 acres are owned. It will be a free-standing new community located in what is now a relatively poor and predominantly rural area. Because of these facts, special development planning is of course needed. For example, our plans and commitments to HUD have always included far greater emphasis on industrial development in the early years than in a "satellite" new community with, accordingly, a proportionately smaller emphasis on residential development. Notwithstanding this cautious approach, consideration is apparently being given to restricting the Developer for a substantial period from even acquiring additional land.

Looking only to the financial interest of the United States, for which the project land provides security, such an inflexible restriction would be folly. The land is now farmland, appraised by HUD at less than \$400 an acre and purchasable today in that general price range. But it is attractive land located less than ten minutes from an interchange on an interstate highway connecting Raleigh-Durham and Richmond and bordering a main rail line serving the South. Sources of water are abundant, and Federal, State and local governments are about to spend \$9,000,000 on a regional water system, partially conditioned on a Title VII guarantee for Soul City. The Piedmont region where Soul City is located is generally industrializing rapidly, and our

economists (Hammer-Greene-Siler Associates) and others have projected rapid growth in the immediate area. In sum, from the standpoint of the security interest of the United States, it is undesirable to prevent the Developer from buying and pledging land at the beginning of the development period, land that is low in cost but certain to appreciate.

From the Developer's point of view, failure to buy additional land now would be not merely unwise but disastrous. Even if price increases resulting from industrialization are conservatively estimated, it will be impossible, as cash flow analyses conducted by the New Communities Administration demonstrate, for the Developer to buy the remaining land unless it makes substantial additional purchases while the land is still being farmed. Although the project may not encompass ultimately the full 5,200 acres, the imposition of an inflexible and arbitrary prohibition on the acquisition of additional land at this time could mean the creation of an industrial center community surrounded by acres of unplanned sprawl, the very antithesis of what the Act was intended to promote.

2. Amenities.

Our first objective at Soul City is to bring in new industry in the early years. Bringing new industry to a poor, rural area requires not only industrial space, transportation, water and labor but also attractive homes,

recreation facilities, social services and other amenities for executives, professionals, managers and craftsmen and their families. Of course attention will be focused on industrial development; but in a free-standing new community, industrial development must go hand-in-hand with better schools, with medical facilities and with recreational development. Middle class salaries require middle class amenities.

Despite this obvious fact, consideration is apparently being given within HUD to restricting all development activity in the early years to that development directly connected with industrial facilities, thereby eliminating those very amenities that are essential to make Soul City attractive to executives and professional employees. This restriction will simply force new industry to locate not at Soul City but at nearby Henderson, an established city with amenities that will share in the new regional water system.

Although we intend at Soul City to limit residential and recreational development in the early years to the minimum necessary to attract industrial employers and to meet the demand created thereby, we will not eliminate those facilities that are essential if Soul City is to attract industry at all. Our aim, in the spirit of the Act, is to create a balanced new community, not a company town filled with unskilled people, satisfied with the minimum necessities of life, while the executives and professionals live elsewhere.

3. Escrow Draws.

In order to protect the security of the United States and in accordance with the Act, all Developers, including the Soul City Developer, agree to certain restrictions on their ability to draw their own money -- the Debenture proceeds -- from escrow. The two primary restrictions are that a certain level of total security must be maintained and that funds can be drawn only for certified "Actual Costs."

We are informed that in this case -- and in no other -- the Board may consider a further restriction, that is, to limit cash draws on a line-by-line basis to amounts projected in advance. Although we object to such discriminatory treatment, we recognize that a free-standing community presents some additional risk to the United States since the demand is not fully tested. Accordingly, we would, if necessary, accept minimum contractual restrictions limiting the amount of our expenditures, but only for a test period not to exceed two years.

We will not agree to a longer period. A new town must be built by the Developer. The New Communities Administration has neither the authority nor the capacity to build Soul City or to direct the development process on a continuous and detailed basis. If Soul City is to be

built at all, we must be free to make our own plans and choices, consistent with the purposes of the Act and the protection of the United States.

On June 28, 1972, we received an Offer of Commitment to guarantee \$14,000,000 of Debentures. The Offer was and is a clear-cut obligation of HUD, upon which we have relied for the past year. It is subject only to the conditions enumerated in it, all of which have been satisfied. It reflected a determination by the Board, made after detailed analysis, that Soul City should go forward. We now expect the Department to honor this obligation in substance, not to impose new and arbitrary restrictions on the development process that are totally at variance, not only with the Offer itself, but with the basic concept of a new community.

We can further advise you that the National Corporation for Housing Partnerships cannot, due to charter limitations, participate as an investor in Soul City unless provision is made from the inception of the Project for the housing for Soul City residents.



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

Oct 18, 73
11:30 AM

Dear Brad,

Enclosed please find copy of letter which is being sent to See-Lyon along with a Memo prepared by our counsel which is being hand delivered to See-Lyon by George DeFranceaux of The National Housing Partnership - our Partner. This should bring you up to date.

Yours Truly
Floyd



Dedicated to the Building of Black Economic Power



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

November 28, 1973

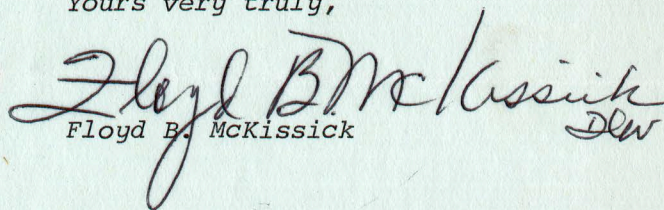
Mr. Brad Patterson
Assistant to Mr. Leonard Garment
The White House
Washington, D. C.

Dear Brad:

Enclosed please find copy of letter which I received from
Roy Wilkins relating to the Soul City project. I thought
the same might interest you.

With very kind regards, I am

Yours very truly,


Floyd B. McKissick

Enclosure



Dedicated to the Building of Black Economic Power"



NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

SEVENTEEN NINETY BROADWAY

NEW YORK, N. Y. 10019 • 212-245-2100

November 5, 1973

NOV 12 1973

Enterprise, Inc.

Dear Floyd McKissick:

Upon my return to the office after a delayed (and brief) vacation I find your cordial invitation to the groundbreaking ceremonies at Soul City, North Carolina.

As my secretary, Mrs. Earlene Bollin, has written you, nothing would please me more than to be present at the groundbreaking ceremonies. As you know, however, our commitments in this business are necessarily made several months in advance, and it happens that I will be at the Pennsylvania State Conference Convention of the NAACP on that week end.

I want you to know that you have my heartiest congratulations on the very concrete contribution you are making. Your Soul City project, after many ups and downs, emerges as about the only definite accomplishment of the Nixon Administration for black people. I am constrained to believe that nobody in the Administration intended it to be that way because I can't imagine this administration doing anything as positive as Soul City. There must have been an injection of your own personality into the situation and Soul City comes out a monument to your belief and perseverance.

Again, my congratulations.

Very sincerely yours,

Roy Wilkins
Roy Wilkins
Executive Director

Mr. Floyd B. McKissick
Soul City Foundation, Inc.
P. O. Box 38
Soul City, North Carolina 27553

RW:erb



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

October 18, 1973

Honorable James T. Lynn
Secretary
Department of Housing and Urban
Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Dear Mr. Secretary:

We understand that the meeting of the Board of Directors of Community Development Corporation adjourned on Wednesday the 17th of October without considering Soul City.

As we have previously advised your staff, the Soul City new community will be in jeopardy unless the Board approves the Project within the next week: unless all arrangements to sell our Debentures are completed by November 14, our equity arrangements are subject to collapse, and we cannot complete these arrangements without Board action.

I am therefore writing now to request that the Board reconvene no later than Wednesday, October 24, to consider our Project. We see no reason for further delay on this Project.

(1) We have already received an Offer of Commitment dated June 28, 1972.

(2) We understand that the staff of the New Communities Administration has concluded that all conditions to the Commitment have been satisfied and that no major pre-closing problems remain unresolved.



Dedicated to the Building of Black Economic Power"

Honorable James T. Lynn
October 18, 1973
Page Two

(3) Soul City is located in a rural area and is eligible for assistance under the housing programs of the Farmers Home Administration.

(4) Soul City has been in preparation and before HUD now for five long years.

We would greatly appreciate your informing us of your decision to reconvene the Board. Please call if you have any questions.

Very truly yours,

F. B. McK.

Floyd B. McKissick
President

cc: Alberto F. Trevino, Jr.
Edward M. Lamont

WILMER, CUTLER & PICKERING
1666 K STREET, N. W.
WASHINGTON, D. C. 20006

October 18, 1973

MEMORANDUM FOR
FLOYD B. McKISSICK ENTERPRISES, INC.
AND THE NATIONAL HOUSING PARTNERSHIP

Re: Soul City; Closing Schedule

The purpose of this Memorandum is to summarize the reasons why it is essential to the success of the Soul City Project that the Board of Directors of Community Development Corporation take action in the next week to authorize acceptance of the Offer of Commitment already made to this Project and to delegate authority to the CDC General Manager to approve Debenture terms and conditions.

The following dates (in reverse order) are critical:

(a) November 30, 1973 is the last feasible date for financial closing. The syndication transaction needed to provide equity financing for the Project will not be consummated unless financial closing occurs on or before that date.

(b) November 14, 1973 is the last feasible date for final determination of the Debenture terms, including interest rate. The attached letter from the designated investment banker, A. G. Becker & Co., Inc. states that fifteen days is the "minimally acceptable" time required between approval of Debenture terms and financial closing.

(c) November 7, 1973 is the last date on which the investment bankers and their nominee for purchasers' counsel, Messrs. Sullivan and Cromwell, can begin their review of the virtually final Project documents and the preparation of a Purchase Agreement. See attached letter.

(d) If the Placement Memorandum to be used by the investment banker must be approved by HUD, a question not finally determined by the General Counsel's office, November 1, 1973 is the last date on which preparation can begin.

(e) October 24, 1973 is the last feasible date for acceptance of the Offer of Commitment. There are simply too many things to be done between acceptance of the Offer and the beginning of the Debenture placement process to be accomplished in less than three weeks.

At the moment, you have a conditional Offer of Commitment made by HUD on June 28, 1972. Although both you and the HUD staff believe that the conditions to

acceptance have been satisfied, several steps cannot be taken on the basis of a year-old offer without further assurance that the Project will close in November. They include (1) full-scale preparations by the investment bankers and its counsel; (2) hiring certain key personnel; (3) negotiating contracts to purchase additional land; (4) numerous miscellaneous items involving third parties, including contracts for title insurance, letters of credit; (5) scheduling of board meetings of your partners to give final approval of project terms; and (6) more generally, all-out efforts by the various parties and their counsel and advisors to put numerous documents in final form.

(f) October 24, 1973 is not necessarily a critical date for delegation of authority to approve Debenture terms, but November 15 is too late to allow the 15 day period for placement and two days for closing.

You indicated the urgency of Board action to Mr. Trevino on September 21, on which date we submitted revised drafts of all Project Documents to HUD. Since that date, the New Communities Administration staff has worked extremely hard with us to resolve all open issues. We believe that all such issues have been resolved and that the Project is now ready for Board approval and closing.

Wilmer, Cutler & Pickering

La

He

Laura Kuitunen
New communities

755-6092

~~484 5350~~

612 338 8801

Louis Cohen

WCP

872-6061

HUT

Dave Berardo

~~755-6987~~

755-7100

Board met Tues AM

SC's commitment for
industry dried up
Movie Industries

A - Conditions not met
Hours of cards falls down

B - Waiver - depr that
condition - for now -
make it a condition of

secured draw-down of 2nd
\$5 M - 15 + 15 ^{estimated} ^{development}
Board should "B."
conference call

COB Ued

3 year

to have 300
people working &
commitment for next
phase for another
300.

THE WHITE HOUSE

WASHINGTON

October 16, 1973

26
F11
BHD

MEMORANDUM FOR THE RECORD

FROM: MICHAEL RAOUL-DUVAL

SUBJECT: SOUL CITY MEETING

We met today in Dana Mead's office, attending were:

Dana Mead

Mike Duval

Tod Hullin

Brad Patterson

HUD: Al Trevino

Rick Fore

755-5435
755-6047
4

LAURA
755-6047
6176
6179

Trevino advised us that McKissick must meet financial closure on November 30, 1973, and several pre-conditions include debt restructuring and an acceptable industrial marketing plan. He stated that the New Communities Board would be meeting tomorrow for the purpose of considering Soul City project. Without a commitment from the Board, favorable to Soul City, it will be impossible for McKissick to get debt restructuring and thus, he will be in trouble for the November 30th closure.

Trevino advised that McKissick has been ambiguous on certain financial matters including a syndication deal in California. HUD has not received the specifics of who was involved, level of commitment, etc.

We advised Trevino that there was no White House commitment which in any way pre-empted the prerogatives of HUD and the New Communities Board of Directors. Our commitment was simply that the White House supports the concept of Soul City and would provide whatever help it was able to in order to get McKissick moving on this project. It has been made clear, in all meetings between White House personnel and McKissick, that he would have to satisfy all the criteria set forth by the various departments he was dealing with as each specific commitment and grant was considered.

Accordingly, Trevino advised us that the Board will meet tomorrow and will probably issue a letter of commitment with conditions. There will be an attempt to meet these conditions through negotiations with McKissick on the information he will have to provide in time to meet their November 30th closing. However, it was made clear that if the conditions established by HUD and by the Board are not met, then the Board will not stand behind the Soul City project until some satisfactory arrangement is worked out with McKissick directly.

cc: Dana Mead
Brad Patterson ✓
Tod Hullin

THE WHITE HOUSE

WASHINGTON

SOUL CITY

Meeting with Mead, DuVal, Scott, Patterson, Trevino, Fore
9:30 October 16, 1973

Problem: Trevino pointed out that New Community Developers Board (Lynn Simon, himself) was meeting tomorrow and Soul City was on agenda. McKissick's financing guarantors' package expired December 1 and he needs HUD closing before that time -- and in time to have all papers drawn.

Trevino's problem is that McKissick has really not come through with all the specific answers ~~EXXZALIZKXUOLXZXBZCIZIXXZKXZKXZK~~ would be needed by a group like the Board before they decided on such an important commitment.

The real problem, as I see it, is that HUD, in the months previous to this, has not ever provided McKissick and his people with an ultra-specific list of all the bits and pieces of information which are still needed: e.g. names and credit checks on the financial backers, specific rechecks with local and state highway departments to be sure no new road plans are being made inconsistent with Soul City plans, etc., etc.

Evidently HUD's staff below Trevino have been so pro-Soul-City ~~EXXZKXZKXZKXZK~~ (they themselves have been helping McKissick with computer work and other staff work, altho now McKissick has hired Wilmer, Cutler and Pickering to help him) that neither they nor HUD's General Counsel has ever sat down and written McKissick a long letter spelling out everything he had to produce.

~~EXXZKXZK~~ And of course McKissick has been operating with tremendous faith, energy and initiative, but with slim staff work himself.

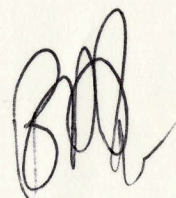
So now more information is needed, more data to be checked or re-checked -- and Trevino finds his staff has not insisted on it, and his Board is faced with having to vote or not -- and having the decision needed by December. Trevino brings this problem to the White House.

We all advised him: (a) we had reviewed this last June and had decided that we could and ~~should~~ go ahead with the former commitment to McKissick (b) the above decision was predicated on McKissick's satisfying all HUD's criteria and (c) nothing any of us had said to Floyd McK. on the phone altered point (b) just enumerated.

Trevino was told that these 3 points still held and he was to go and work the rest out with Lynn and with his own staff. I also advised him to get a copy of our June 21 memo (which went to Hyde) but which he evidently has never seen.

I mentioned the groundbreaking ceremony, and in view of the fact that nothing will be legally completed by that date, we all agreed that government representation should probably be handled at the local HUD level -- none from Washington.

No Presidential message either - at this time.

A handwritten signature in dark ink, consisting of several loops and a trailing flourish, located in the upper right quadrant of the page.

THE WHITE HOUSE
WASHINGTON

Brook:

Is a message
going from the
President?

10/16

E. L. L.

10/13


FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

October 10, 1973

Mr. Alberto F. Trevino, Jr.
General Manager
New Communities Administration
Department of Housing and Urban Development
451 - 7th Street, S.W.
Washington, D. C. 20410

Dear Mr. Trevino:

The purpose of this letter is to underscore the urgency of prompt action by the Board of Community Development Corporation to permit Soul City to reach financial closing no later than November 30, 1973.

As described in our letter to you and our submissions to your staff on September 21, 1973, we will raise a substantial part of the needed Project equity through funds to be unconditionally provided to the venture at financial closing by Associated Mortgage Companies ("AMC"). These funds in turn will be a charge against the proceeds of syndication to a group headed by John Kusmiersky of limited partnership interests in a partner in the Developer. Our syndication arrangements provide explicitly that the Kusmiersky group is not obligated to participate unless closing is achieved by December 1 (a Saturday). This is no mere formality: the proposed limited partners are investing in part to obtain tax losses, and for this purpose they



Dedicated to the Building of Black Economic Power"

Mr. Alberto F. Trevino, Jr.
Page Two
October 10, 1973

insist that the Debentures be outstanding (so that interest will run) for at least one month of the calendar year 1973. After November 30, if closing has not occurred, we would have to start our search for equity again at the beginning.

We assume that the Soul City Project can now be brought promptly before the Board, since we understand that all major problems have been resolved and the Project is ready for a Board presentation.

We recognize, of course, that a substantial amount of work remains to be done before closing. We agree, however, that what is now required is simply hard work by all parties: there does not appear to be any major unresolved issue or problem that presents an obstacle to closing.

November 30 is seven weeks away. Much of the work that remains, particularly our work to fill in the detail blanks in our arrangements, cannot be accomplished, we understand, until after a closing is approved by the Board. Sale of the Debentures will also take time. This means that at least three weeks and, if possible, more time must elapse between Board approval and financial closing. In sum, if we are to close before December 1 and avoid losing an essential equity commitment, the Soul City Project must be taken up by the Board within the next three to four weeks.

I would be happy to discuss this with you further if you wish.

Very truly yours,

Floyd B. McKissick
President

THE WHITE HOUSE

WASHINGTON

October 9

LG:

Floyd McKissick called
today and will be in town tomorrow.

Groundbreaking at Soul City
is set for November 9. He knows the
President can't make it, but wants
you, Stan and me to come. He also
wants a Presidential letter of greetings
and I am checking this with HUD
and Eliska.

[Handwritten signature]
[Handwritten signature]
Not me (L-G)

11/10

THE WHITE HOUSE
WASHINGTON

2:30

Lower K

6092
~~755-6116~~

Groundbreaking:

11/9

letter from T2 auto
future. Deadline 10/16

LG come

Kevin 755-3314

Alb Trevino 755-3314

THE WHITE HOUSE

WASHINGTON

Proposed agreement

AA process &

Rev-plan for SS

Cash flow plan

Country - LK WCP

Management - HUD report

do - problems on this

Once a month

Extra meetings

10/1 - unpaid

11/1

683-6299

THE WHITE HOUSE
WASHINGTON

Al Trevino

Oct 1 - Board meeting -
should stay in session

Nov 9 - dedication
deadline

groundbreaking

Saul City documents
Monday AM
proofreading

THE WHITE HOUSE
WASHINGTON

8/7

To: Brad Patterson

From: Helen Donaldson

We sent the invitation on Soul City
to Mr. Garment to handle - regret
for the President. This should
go with it.

THE WHITE HOUSE

WASHINGTON

8/15

Craig:

Libby in John Guthrie's office wants us to turn down the invitation for the President. Could you prepare a letter for Mr. Garment's signature with a copy to Guthrie. After McKissick receives this letter, Guthrie's office will follow up with a phone call and determine whether to send someone else down there at that time.

jr

THE WHITE HOUSE
WASHINGTON

August 3, 1973

MEMORANDUM FOR: LEONARD GARMENT

FROM: TERRENCE O'DONNELL

SUBJECT: Groundbreaking ceremonies at Soul City,
North Carolina in September, 1973

The Schedule Proposal you submitted July 11 for the President to participate in the groundbreaking ceremonies at Soul City has been disapproved. Will you so notify Floyd McKissick.

By copy of this memorandum, John Guthrie has been requested to arrange for an appropriate person to represent the President.

Thank you.

Len - We would be glad to write Mr. McKissick and inform him that the President will be unable to attend if you prefer.

Not necessary
L.

cc: John Guthrie

THE WHITE HOUSE

WASHINGTON

1973 AUG 1 AM 11 29

July 30, 1973

MEMORANDUM FOR DAVID PARKER
VIA: DANA G. MEAD *DM*
FROM: MICHAEL RAOUL-DUVAL *D*
SUBJECT: Ground Breaking Ceremonies for
Soul City, North Carolina

We recommend against Presidential participation in the ground breaking ceremonies described in the Schedule Proposal submitted by Len Garment.

Although this project clearly has merit, it does contain considerable risk as referred to by Len and there is a chance that because of budgetary problems, federal participation might have to be limited in the future. To commit the President at this time personally, could lock us in on budgetary decisions which might have to be made in the future involving very substantial sums of money.

Furthermore, the housing study will be released in early September and clearly the President would have to make reference to it if he participated in this kind of an event. This study is bound to be highly controversial and it is by no means certain at this time that the President should be personally involved in defending it.

Also, from a physical standpoint, this does not appear to be the best area for a housing or community development type event. It might be better to utilize this kind of an event in an urbanized area where the setting would be more appropriate and the crowd situation likely to be improved.

*To Bill Baroody: For appropriate
response: Bill - DANA has been
working on Soul City -
You may want to check with
him before Mel responds -*

THE WHITE HOUSE
WASHINGTON

Date: July 17, 1973

From:
MEMORANDUM ~~FOR~~ KENNETH COLE
BRYCE HARLOW
→ MELVIN LAIRD
VIA: TERRENCE O'DONNELL
~~FROM:~~ *To:* DAVID PARKER
RE: Groundbreaking Ceremonies at
Soul City, N. Carolina

The attached is being sent to you for your advice and
recommendation.

Would you advise as soon as possible.

Thank you.

COMMENTS:

August 3, 1973

I concur in the attached recommendation, forwarded to you
through Dana Mead, against the President's participation
in the ground breaking ceremonies at Soul City, North
Carolina.



Melvin R. Laird

THE WHITE HOUSE

WASHINGTON

July 30, 1973

MEMORANDUM FOR DAVID PARKER

VIA: DANA G. MEAD

FROM: MICHAEL RAOUL-DUVAL

SUBJECT: Ground Breaking Ceremonies for
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Also, from a physical standpoint, this does not appear to be the best area for a housing or community development type event. It might be better to utilize this kind of an event in an urbanized area where the setting would be more appropriate and the crowd situation likely to be improved.

Chron DM
Chron MD
Subject DM

DUVAL:SC

SCHEDULE PROPOSAL

Date: July 11, 1973

FROM: Leonard Garment

VIA: General Haig

MEETING: Groundbreaking ceremonies at Soul City, North Carolina

DATE: A convenient date in September, 1973

PURPOSE: To dedicate the beginning of Soul City, the first (and only free-standing one) of the 15 New Communities now being aided by the Federal Government; to compliment the entrepreneurship of Floyd McKissick, the national black leader who was formerly the President of CORE and who is developing Soul City; to call attention to the promise of this program as a concrete example of Administration accomplishments.

FORMAT: Groundbreaking, and a Presidential speech. Soul City is 12 miles south of the Virginia/North Carolina border. The entire occasion including flying time by helicopter could be as short as two hours.

approve _____ disapprove _____

PRESS COVERAGE: Full press coverage

PRESS FOLLOW - UP: Through normal press channels

STAFF: Recommended would be Laird, Cole, Garment, Scott, Mead and Patterson, plus senior officers from HUD, and Commerce.

RECOMMEND: Garment, Scott, Under Secretary Hyde

BACKGROUND: Soul City will be a 5200 acre New Town with eventually 13,000 residences, 45,000 people and businesses and industries.

In a series of steps we are making a federal investment of some \$32.6 millions in grants, loans and guarantees (out of the \$76,000,000 total development investment).

The neighboring towns (Oxford and Henderson) have voted new bond issues, and Governor Holzhouser is a strong backer of Soul City.

The Project has some risks but a decision has recently been made that the risks are worth taking and we have told McKissick that we will follow through with our commitments to his project.

Soul City is now empty land with a few old houses and barns. Groundbreaking will be for the Health Center (an OEO grant), an industrial facility which will "incubate" new industries (also an OEO grant), two miles of roads and the first housing project. (See McKissick's letter attached).

We are long overdue for projects with the President's participation; this is an excellent time and place and would be a dramatic change of pace.

FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

July 2, 1973

Mr. Leonard Garment
Special Consultant to the President
The White House
1700 Pennsylvania Avenue, N.W.
Washington, D. C.

Dear Len:

I advised sometime ago that after closing of the HUD bonds, we would have groundbreaking ceremonies at Soul City. These ceremonies will be for the purpose of breaking ground for the Health Center; our first industrial facility to be known as Soultech I; two miles of roads, and our first housing project.

We are at this time cordially extending an invitation for President Nixon to be the speaker on this occasion. A more formal invitation will be issued directly to the President once a firm date is established, which we now anticipate to be sometime in September. We are seeking a tentative commitment on the part of President Nixon. Once we have this commitment, then our program will be coordinated around the President's message.

This occasion could be used for the purpose of any major domestic announcement by the President, the reaffirmation of Civil Rights goals and as an example of the new federalism as exemplified by the Soul City project.

As you know, Soul City is located just 12 miles south of the North Carolina-Virginia State Line. Assuming a busy schedule on the part of the President, he could fly here by helicopter, make his speech and return to Washington within a two hour time period. These details can, of course, be worked out after I hear from you.

Leonard Garment

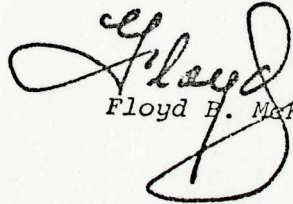
- 2 -

July 2, 1973

our early reply will be greatly appreciated. In the meantime, I thank you again for your past cooperation and you may rest assured of my continued support.

With very kind regards, I am

Yours very truly,



Floyd B. McKissick

August 22, 1973

Dear Floyd:

The President has asked me to inform you that, regretfully, he will be unable to attend the proposed groundbreaking ceremonies at Soul City in the fall.

If you so desire, I'm sure that arrangements for an Administration representative to take part in your ceremonies can be handled through the White House.

Best,

Leonard Garment

Mr. Floyd B. McKissick
McKissick Enterprises, Inc.
Post Office Box 188
Soul City, North Carolina 27553

August 22, 1973

Dear Floyd:

The President has asked me to inform you that, regretfully, he will be unable to attend the proposed groundbreaking ceremonies at Soul City in the fall.

If you so desire, I'm sure that arrangements for an Administration representative to take part in your ceremonies can be handled through the White House.

Best,

Leonard Garment

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Mr. Floyd B. McKissick
McKissick Enterprises, Inc.
Post Office Box 188
Soul City, North Carolina 27553

B. P.



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

July 2, 1973

Mr. Leonard Garment
Special Consultant to the President
The White House
1700 Pennsylvania Avenue, N.W.
Washington, D. C.

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This occasion could be used for the purpose of any major domestic announcement by the President, the reaffirmation of Civil Rights goals and as an example of the new federalism as exemplified by the Soul City project.

As you know, Soul City is located just 12 miles south of the North Carolina-Virginia State Line. Assuming a busy schedule on the part of the President, he could fly here by helicopter, make his speech and return to Washington within a two hour time period. These details can, of course, be worked out after I hear from you.



Mr. Leonard Garment

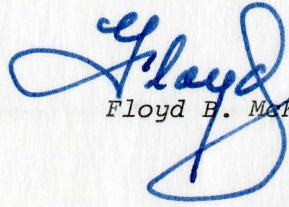
- 2 -

July 2, 1973

Your early reply will be greatly appreciated. In the meantime, I thank you again for your past cooperation and you may rest assured of my continued support.

With very kind regards, I am

Yours very truly,

A handwritten signature in blue ink, appearing to read 'Floyd B. McKissick', with a large, stylized flourish at the end.

Floyd B. McKissick

MEMORANDUM
OF CALL

TO:

BP

☒ YOU WERE CALLED BY—

☐ YOU WERE VISITED BY—

Meredith Potter

OF (Organization)

HUD

☐ PLEASE CALL —→

PHONE NO. 755-6950
CODE/EXT.

☐ WILL CALL AGAIN

☐ IS WAITING TO SEE YOU

☐ RETURNED YOUR CALL

☐ WISHES AN APPOINTMENT

MESSAGE

Returning your call
to Mr. Hyde - he will
not be in today.

RECEIVED BY

dlz

DATE

7/11

TIME

10:10

STANDARD FORM 63

REVISED AUGUST 1967

GSA FPMR (41 CFR) 101-11.6

GPO : 1969-o48-16-80341-1 332-389

63-108

Reproduced at the Richard Nixon Presidential Library and Museum

THE WHITE HOUSE

WASHINGTON

June 29, 1973

NOTE FOR THE FILES

Subject: Soul City

Mike Duval, at Dana Mead's request, told me at 11:35 this morning that the decision has been made:

- a) To OK the EDA \$1.5 million for water and ~~wewer~~ grant for FY 1973.
- b) To stand behind Bob Brown's original general assurances given to Floyd McKissick last year about Soul City.
- c) To authorize Lynn to go ahead with the water and ~~sewer~~ grants if he thinks it wise in view of our inability to make any housing subsidy commitments until after the overall housing study is done in the Fall. This means that if he considers the whole enterprise a viable risk under these circumstances (and he does...) he can go ahead with the water and sewer grants

THE WHITE HOUSE
WASHINGTON

d) The decision will really be cast
as a HUD-EDA decision, not so much
as "White House" itself.

e) OMB and HUD have been notified of the
above; Lynn will get in touch with
McKissick.

Boad *Pattee*

THE WHITE HOUSE
WASHINGTON

June 20, 1973

Leonard -

This is now ready to go to
Laird -- in final formX after your OK.

I talked with Floyd Hyde yesterday ~~and~~ the memo reflects his views;
he thinks we should "go" with Soul City,
even though it is "marginal".

Informally, Dana agrees, altho
he would prefer the memo go in without
a formal concurrence; if Ken asks for
one from him, he will concur.

I invited comment from Stan Scott
2 weeks ago but never got anything.

H.

Floyd^A asked me to check with Chase
Manhattan, and I did today by phone; they
are still "go" for Soul City.

OK

Paul O'Neill has gone over the memo in its several previous drafts; doesn't want to be formally included as "concurring" or as making any recommendation, but agrees that our depiction of him as considering the project "marginal" is correct.

Informally, Paul tells me that we may be able to get the water and sewer money -- all of it -- from EDA (in its newly extended existence) rather than from HUD at all, but that is a tactical detail referred to briefly here-- but this paper is for a strategic decision.

Your OK recommended.

A handwritten signature in dark ink, appearing to read "Paul", with a large, looping initial "P" and a trailing flourish.

THE WHITE HOUSE

WASHINGTON

June 21, 1973

MEMORANDUM FOR MEL LAIRD

SUBJECT: SOUL CITY

Soul City is a prospective New Community in North Carolina, the first (and only) free-standing new community among the fifteen which HUD is now assisting pursuant to the Urban Growth and New Community Development Act of 1970. It is 5,200 acres, will represent a land acquisition and development investment alone of \$76,000,000 and will eventually have 13,000 residences and a population of almost 45,000. It would be located just south of the Virginia border, within an hour's commuting time of Raleigh, Durham, Wake Forest and Rocky Mount.

The developer of Soul City is Floyd McKissick, one of the nation's best known black leaders.

Last June, the Board of Directors of the New Community Development Corporation approved a conditional offer of commitment to Soul City of \$14,000,000 in guarantees. McKissick then sent in applications for water and sewer grants to both HUD and EDA and the processing of these applications began.

During 1972, Bob Brown of the White House gave McKissick general assurances that we supported his enterprise.

Last January, we announced that HUD would approve no more applications for water and sewer grants (no matter how far along they were) and we also announced that HUD was suspending its subsidy program for low and moderate income housing. Both of these actions affected the plans for Soul City, and McKissick came to see me in February, asking me the question: were we going to go ahead with our support of Soul City?

Brad Patterson and I have been in touch with OMB, EDA, HUD and McKissick and especially have requested that McKissick list on one chart all his present and proposed federal subsidies. This chart appears as Attachment A.

As of now, Soul City is empty land, with a few old houses and barns. But extensive plans (and commitments) have been made. Four agencies of the Federal Government have already invested \$1.628 million in Soul City planning (Attachment A, items 2, 6, 10, 11 and 22) and have now committed \$.7 million more (items 7 and 13) so our federal investment is \$2.3 million at present.

The developers of Soul City have requests either pending or envisaged for (a) at least \$15.8 million in additional federal grants, (b) \$.5 in additional loans, (c) \$14.0 in guarantees and (d) a large, but unknown amount for housing subsidy payments (see below). Thus, at least \$16.370 millions in added federal subsidization would be needed with the

further risk of \$14 millions in guarantee exposure. (This is not unusual for the "new communities"; typically they have comprehensive shopping lists for federal assistance.) Of Soul City's total requirements, however, close to \$4 million has been requested under HUD's water and sewer grant and loan programs which were terminated on January 5, 1973. If an exception is to be made for Soul City from these HUD funds, it must be made before the end of this month. (A preliminary commitment for the water and sewer grant was made within HUD a year ago this month.)

The policy question is: should the U.S. Government go ahead, this month and in the months to come, finally committing more than \$16 million on top of the \$2.3 million we have already invested to help new community Soul City get built, and committing the guarantee?

One difficulty in answering this question as it applies to Soul City (See item #4 in Attachment A) is that not only Soul City but every other one of the 15 New Communities is in effect required by Section 712 of the New Community Development Act to include "an appropriate portion" of low and moderate income housing. In Soul City, the total is expected to reach at least 3,700 units over 25 years -- 200 in the next 3 years.

The Administration's suspension of new commitments under its erstwhile subsidy programs for low and moderate income housing will stay in effect pending a comprehensive study now in progress with HUD but not due for presentation to the President until September. On March 20, 1973 in Congressional testimony, Secretary Lynn stated that

"instructions will be issued shortly to honor the bona fide commitments as promised by Secretary Romney. The areas in which these commitments fall include:... New Communities..."

Secretary Lynn thus has authority to meet FY 1974 needs for subsidized low and moderate income housing in Soul City (depending on how he sets his internal priorities) but Soul City's FY 1974 subsidized housing requirement is only five units.

The Secretary obviously cannot make any longer-range commitment for assistance to low and moderate income housing -- in Soul City or anywhere else -- until he and the President have reviewed the September study, have decided on what direction to take and until the Congress has approved it. If it should eventually be decided that there will be no further such subsidy program, Soul City and the other New Communities will be very different places from what was originally conceived -- they will not have the balance in types of housing which the New Community Development Act intended. In Soul City's case such a lack may be very harmful. (Attachment B is an OMB memorandum on this subject).

But at least the next increment of our commitment to Soul City (the \$5.892 million) must be decided on before this June 30; we cannot wait until next September to make this decision.

Before making a recommendation, here is an analysis of what might be called the assets and risks:

Soul City's Assets

1. A Presidential policy favoring (a) minority enterprise development and (b) concrete results instead of rhetoric about it.
2. A very committed and capable developer, (and a political friend -- see attachment C) who wants to make this project one of the best of the President's concrete accomplishments. Floyd Hyde believes McKissick is going to stay with this project for a long time.
3. The State (and the Governor) of North Carolina, which has already committed \$125,000 in a planning grant, \$75,000 in road work, and \$1.3 million for the required 3-county regional water system, and which will commit another \$.4 next year. Governor Holzhauser (and I have reconfirmed this just now) is a strong proponent of Soul City.
4. The neighboring cities of Henderson and Oxford, N.C. which just June 2 approved referenda committing themselves to put up \$2.8 million of bonds for that regional water system.
5. The four Federal Agencies (HUD, OEO, Commerce and the National Endowment on the Arts) which have put up the \$2.3 up to now. Secretaries Lynn's and Dent's memoranda and the very recent one of Acting Assistant Secretary Blunt are attached (Attachment D).
6. HUD's conviction, as expressed by Ted Lamont, Director of its Office of New Communities Development, that Soul City will become an important growth center in the northern North Carolina area and will

significantly help to stem the out-migration from this area which up to now has been one of the highest in the State.

7. Private lenders and investors who have made the following commitments to Soul City:

a) \$1.5 million in equity from McKissick Enterprises, the National Corporation for Housing Partnerships and the black architectural firm Madison-Madison International.

b) \$1.5 million in a combination of secured and unsecured loans from Chase Manhattan, North Carolina National Bank, the National Corporation for Housing Partnerships, the Mechanics and Farmers Bank of Charlotte and a dozen miscellaneous lenders.

c) \$1.15 million in mortgage promises from various sources.

8. Soul City's economic geography, which has I-85 and the Seaboard Railway abutting it.

9. The Board of Directors of the New Community Development Corporation which on June 28, 1972 after the most careful analysis and consideration approved making a conditional offer of commitment to Soul City (the \$14,000,000 guarantee), having officially confirmed the eight determinations, (pursuant to statute) set forth in Attachment E, and made the finding that the Soul City enterprise is "an acceptable financial risk to the United States".

10. McKissick's promise (which HUD insists upon as a condition of the guarantee) to install a competent General Manager for the whole Soul City enterprise.

Soul City's Risks

1. Soul City is located in a low-income area which may not be as attractive to prospective homeowners/businesses as alternative opportunities.

(This is why assistance for the "incubation" of industries, for manpower training grants, and for low-income housing are necessary).

2. A principal "unknown" is whether, once he has his land watered and sewerred and otherwise developed, McKissick will really be able to sell parcels of it to residential and commerical customers.

3. Under Secretary Hyde and other members of the Board of the New Community Development Corporation, even while making their positive findings, did it with their fingers crossed, recognizing that a new, free-standing community is a much more chancey enterprise than the other 14 new communities being assisted by HUD, in that the other 14 are located in or very near suburbs or other existing growth areas. Floyd Hyde still characterizes the Soul City enterprise as "marginal" and as requiring significant amounts of grant assistance in order to succeed. Paul O'Neill of OMB concurs with this description.

4. The project is right now dependent on Federal support for its water and sewer system. One of the programs from which the developers are seeking funds -- HUD's water and sewer program -- has already been terminated. Should this program be opened up for Soul City, the Administration will be subject to pressure to make further exceptions in special cases. If we should make further exceptions, this could jeopardize our budgetary strategy. (Alternatively it would be possible to have EDA pick up the full cost of the project in FY 1974; this would probably require our direct intervention, since EDA has only \$150 million nationwide, and Soul City needs nearly \$6 million.)

5. There is a real possibility that if Federal housing production subsidies are unavailable for the long term, this lack will undermine the entire Soul City project.

Conclusion

In reviewing all of the points here, balancing the assets and risks, I am impressed with the firm and specific commitments which have so far been made by so many different individuals and institutions: the State of North Carolina, the towns of Henderson and Oxford, the many government professionals who have evaluated the promise of this enterprise, the private banks, organizations and individuals who have put not only their faith but their money on the line, convinced that Soul City

is an enterprise with promise. In my four years here, I have seen few projects in the minority development field which have put together as much as this one has.

Under Secretary Hyde and I share an additional conviction: the whole New Communities program is and was expected to be an experimental venture, with inherent risks. We should not now argue that because one of these new communities is "marginal", it should be scrubbed. Unless we go ahead with this, how are we ever going to find out whether a new town, beginning from scratch in an entirely rural area, can be made to succeed?

If we now say "no" to McKissick, we will stand accused not only of reneging on specific commitments to him, but of reneging on the President's commitment to the whole minority enterprise concept. However unfair or inaccurate those accusations may be in a narrow sense, in the broader context they will be persuasive to the public and damaging to all of us on the domestic side of the Administration.

Recommendations

1. We should give Soul City the green light and inform the interested agencies that we have done so. For FY 1973 this means specifically a green light for the water and sewer grants. In the field of housing policy in the short term, this means that Secretary Lynn will have our support in regarding Soul City's immediate requests for subsidized low and

moderate income housing as among the "bona fide commitments" which he can and will handle under his existing authority and funds. In the long term, this means that McKissick and all the other New Community developers will have to continue to take their chances as to whether federal government will have an on-going subsidy program for low and moderate income housing.

2. We should ask HUD to designate an implementation monitorship officer to work with the various federal agencies to ensure the coordinated handling of the applications from Soul City (and from the other New Communities); we should notify the other agencies of our support of this designation.

Leonard Garment

attachment

THE WHITE HOUSE
WASHINGTON

Carbon copies sent to:

Floyd Hyde w/attachments

Dana Mead

Paul O'Neill

THE WHITE HOUSE
WASHINGTON

June 21, 1973

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Last June, the Board of Directors of the New Community Development Corporation approved a conditional offer of commitment to Soul City of \$14,000,000 in guarantees. McKissick then sent in applications for water and sewer grants to both HUD and EDA and the processing of these applications began.

During 1972, Bob Brown of the White House gave McKissick general assurances that we supported his enterprise.

Last January, we announced that HUD would approve no more applications for water and sewer grants (no matter how far along they were) and we also announced that HUD was suspending its subsidy program for low and moderate income housing. Both of these actions affected the plans for Soul City, and McKissick came to see me in February, asking me the question: were we going to go ahead with our support of Soul City?

Brad Patterson and I have been in touch with OMB, EDA, HUD and McKissick and especially have requested that McKissick list on one chart all his present and proposed federal subsidies. This chart appears as Attachment A.

As of now, Soul City is empty land, with a few old houses and barns. But extensive plans (and commitments) have been made. Four agencies of the Federal Government have already invested \$1.628 million in Soul City planning (Attachment A, items 2, 6, 10, 11 and 22) and have now committed \$.7 million more (items 7 and 13) so our federal investment is \$2.3 million at present.

The developers of Soul City have requests either pending or envisaged for (a) at least \$15.8 million in additional federal grants, (b) \$.5 in additional loans, (c) \$14.0 in guarantees and (d) a large, but unknown amount for housing subsidy payments (see below). Thus, at least \$16.370 millions in added federal subsidization would be needed with the

further risk of \$14 millions in guarantee exposure. (This is not unusual for the "new communities"; typically they have comprehensive shopping lists for federal assistance.) Of Soul City's total requirements, however, close to \$4 million has been requested under HUD's water and sewer grant and loan programs which were terminated on January 5, 1973. If an exception is to be made for Soul City from these HUD funds, it must be made before the end of this month. (A preliminary commitment for the water and sewer grant was made within HUD a year ago this month.)

The policy question is: should the U.S. Government go ahead, this month and in the months to come, finally committing more than \$16 million on top of the \$2.3 million we have already invested to help new community Soul City get built, and committing the guarantee?

One difficulty in answering this question as it applies to Soul City (See item #4 in Attachment A) is that not only Soul City but every other one of the 15 New Communities is in effect required by Section 712 of the New Community Development Act to include "an appropriate portion" of low and moderate income housing. In Soul City, the total is expected to reach at least 3,700 units over 25 years -- 200 in the next 3 years.

The Administration's suspension of new commitments under its erstwhile subsidy programs for low and moderate income housing will stay in effect pending a comprehensive study now in progress with HUD but not due for presentation to the President until September. On March 20, 1973 in Congressional testimony, Secretary Lynn stated that

"instructions will be issued shortly to honor the bona fide commitments as promised by Secretary Romney. The areas in which these commitments fall include:.. New Communities..."

Secretary Lynn thus has authority to meet FY 1974 needs for subsidized low and moderate income housing in Soul City (depending on how he sets his internal priorities) but Soul City's FY 1974 subsidized housing requirement is only five units.

The Secretary obviously cannot make any longer-range commitment for assistance to low and moderate income housing -- in Soul City or anywhere else -- until he and the President have reviewed the September study, have decided on what direction to take and until the Congress has approved it. If it should eventually be decided that there will be no further such subsidy program, Soul City and the other New Communities will be very different places from what was originally conceived -- they will not have the balance in types of housing which the New Community Development Act intended. In Soul City's case such a lack may be very harmful. (Attachment B is an OMB memorandum on this subject).

But at least the next increment of our commitment to Soul City (the \$5.892 million) must be decided on before this June 30; we cannot wait until next September to make this decision.

Before making a recommendation, here is an analysis of what might be called the assets and risks:

Soul City's Assets

1. A Presidential policy favoring (a) minority enterprise development and (b) concrete results instead of rhetoric about it.
2. A very committed and capable developer, (and a political friend -- see attachment C) who wants to make this project one of the best of the President's concrete accomplishments. Floyd Hyde believes McKissick is going to stay with this project for a long time.
3. The State (and the Governor) of North Carolina, which has already committed \$125,000 in a planning grant, \$75,000 in road work, and \$1.3 million for the required 3-county regional water system, and which will commit another \$.4 next year. Governor Holzhauser (and I have reconfirmed this just now) is a strong proponent of Soul City.
4. The neighboring cities of Henderson and Oxford, N. C. which just June 2 approved referenda committing themselves to put up \$2.8 million of bonds for that regional water system.
5. The four Federal Agencies (HUD, OEO, Commerce and the National Endowment on the Arts) which have put up the \$2.3 up to now. Secretaries Lynn's and Dent's memoranda and the very recent one of Acting Assistant Secretary Blunt are attached (Attachment D).
6. HUD's conviction, as expressed by Ted Lamont, Director of its Office of New Communities Development, that Soul City will become an important growth center in the northern North Carolina area and will

significantly help to stem the out-migration from this area which up to now has been one of the highest in the State.

7. Private lenders and investors who have made the following commitments to Soul City:

a) \$1.5 million in equity from McKissick Enterprises, the National Corporation for Housing Partnerships and the black architectural firm Madison-Madison International.

b) \$1.5 million in a combination of secured and unsecured loans from Chase Manhattan, North Carolina National Bank, the National Corporation for Housing Partnerships, the Mechanics and Farmers Bank of Charlotte and a dozen miscellaneous lenders.

c) \$1.15 million in mortgage promises from various sources.

8. Soul City's economic geography, which has I-85 and the Seaboard Railway abutting it.

9. The Board of Directors of the New Community Development Corporation which on June 28, 1972 after the most careful analysis and consideration approved making a conditional offer of commitment to Soul City (the \$14,000,000 guarantee), having officially confirmed the eight determinations, (pursuant to statute) set forth in Attachment E, and made the finding that the Soul City enterprise is "an acceptable financial risk to the United States".

10. McKissick's promise (which HUD insists upon as a condition of the guarantee) to install a competent General Manager for the whole Soul City enterprise.

Soul City's Risks

1. Soul City is located in a low-income area which may not be as attractive to prospective homeowners/businesses as alternative opportunities.

(This is why assistance for the "incubation" of industries, for manpower training grants, and for low-income housing are necessary).

2. A principal "unknown" is whether, once he has his land watered and sewerred and otherwise developed, McKissick will really be able to sell parcels of it to residential and commerical customers.

3. Under Secretary Hyde and other members of the Board of the New Community Development Corporation, even while making their positive findings, did it with their fingers crossed, recognizing that a new, free-standing community is a much more chancey enterprise than the other 14 new communities being assisted by HUD, in that the other 14 are located in or very near suburbs or other existing growth areas. Floyd Hyde still characterizes the Soul City enterprise as "marginal" and as requiring significant amounts of grant assistance in order to succeed. Paul O'Neill of OMB concurs with this description.

4. The project is right now dependent on Federal support for its water and sewer system. One of the programs from which the developers are seeking funds -- HUD's water and sewer program -- has already been terminated. Should this program be opened up for Soul City, the Administration will be subject to pressure to make further exceptions in special cases. If we should make further exceptions, this could jeopardize our budgetary strategy. (Alternatively it would be possible to have EDA pick up the full cost of the project in FY 1974; this would probably require our direct intervention, since EDA has only \$150 million nationwide, and Soul City needs nearly \$6 million.)
5. There is a real possibility that if Federal housing production subsidies are unavailable for the long term, this lack will undermine the entire Soul City project.

Conclusion

In reviewing all of the points here, balancing the assets and risks, I am impressed with the firm and specific commitments which have so far been made by so many different individuals and institutions: the State of North Carolina, the towns of Henderson and Oxford, the many government professionals who have evaluated the promise of this enterprise, the private banks, organizations and individuals who have put not only their faith but their money on the line, convinced that Soul City

is an enterprise with promise. In my four years here, I have seen few projects in the minority development field which have put together as much as this one has.

Under Secretary Hyde and I share an additional conviction: the whole New Communities program is and was expected to be an experimental venture, with inherent risks. We should not now argue that because one of these new communities is "marginal", it should be scrubbed. Unless we go ahead with this, how are we ever going to find out whether a new town, beginning from scratch in an entirely rural area, can be made to succeed?

If we now say "no" to McKissick, we will stand accused not only of reneging on specific commitments to him, but of reneging on the President's commitment to the whole minority enterprise concept. However unfair or inaccurate those accusations may be in a narrow sense, in the broader context they will be persuasive to the public and damaging to all of us on the domestic side of the Administration.

Recommendations

1. We should give Soul City the green light and inform the interested agencies that we have done so. For FY 1973 this means specifically a green light for the water and sewer grants. In the field of housing policy in the short term, this means that Secretary Lynn will have our support in regarding Soul City's immediate requests for subsidized low and

moderate income housing as among the "bona fide commitments" which he can and will handle under his existing authority and funds. In the long term, this means that McKissick and all the other New Community developers will have to continue to take their chances as to whether federal government will have an on-going subsidy program for low and moderate income housing.

2. We should ask HUD to designate an implementation monitorship officer to work with the various federal agencies to ensure the coordinated handling of the applications from Soul City (and from the other New Communities); we should notify the other agencies of our support of this designation.

Leonard Garment

attachment

DRAFT
6/5/73

FEDERAL ASSISTANCE TO SOUL CITY, NORTH CAROLINA, AND ITS REGION

The following table summarizes the various forms of Federal assistance now being provided, and formally requested, and expected to be required by Soul City and its Region.

Soul City will be the first free-standing new town to be developed under Title VII of the Housing and Urban Development Act of 1970. It will require a unique combination of private, Federal, State and local action over the thirty year span of the Development Plan. In that time, problems that now seem large will disappear, and problems now invisible will present themselves. The table below is therefore only an outline on the basis of information now available.

There is one other essential preliminary point. The Federal support listed below is quite varied not only in form and budgetary impact but also in its recipients and beneficiaries. Some of the Federal actions will benefit The Soul City Company, the Developer of Soul City, in accordance with statutory policies of assisting both new town development and minority business enterprise. Other Federal actions will be directed toward the entire Region, including its existing communities as well as Soul City. Still other actions will be aimed directly at the new residents of Soul City, persons who are not now identified.

Finally, to place the Federal support described below in context, it is important to note that it is only a fraction of the overall cost of developing Soul City. Private, State and local sources have already made substantial commitments, and in later years their contributions can be expected to predominate. Approximately \$1,500,000 has been provided to date by banks and other lenders, and an additional approximately \$1,500,000 will be contributed by the partners in The Soul City Company as equity capital when the debentures are issued. The State of North Carolina has already spent or committed nearly \$2,000,000, and neighboring local governments have committed \$2,800,000. The essential Federal role is to provide the seed money, leverage and long-term security essential to enable others to undertake a project of this magnitude.

FEDERAL SUPPORT FOR SOUL CITY
AND
STATE PLANNING REGION K

<u>NUMBER</u>	<u>AGENCY PROGRAM CONTACT PERSON</u>	<u>STATUS</u>	<u>FORM OF SUPPORT</u>	<u>RECIPIENT</u>	<u>AMOUNT</u>	<u>PURPOSE/REMARKS</u>
* 1.	HUD New Communities Laura Kuitunen	Offer of commitment made June 28, 1972	Debenture guarantees	SCC	\$14,000,000	This is the basic HUD guarantee under Title VII of the HUD Act of 1970 to support a new community.
2.	HUD 701 Planning Malachi Knowles	Funded; expires 6/30/73	Grant	State of North Carolina; subcontracted to WRPC	\$ 128,000	Physical planning for region and new community.
* 3.	HUD Water and Sewer Donald Patch	OMB approval requested by HUD and pending	a. Basic water and sewer grant b. ONCD supple- mental grant c. Public facil- ities loan	Soul City Sanitary District	a. \$ 500,000 b. \$ 302,000 c. \$ 500,000	Interim water and sewer systems for Soul City. SCC is contributing an additional \$514,000.
* 4.	HUD + F. H. H. Ad. Low and Moderate Income Housing Programs (unknown)	To be applied for	Housing subsidies; rent supplements; public housing	Various housing developers	Dollar amount unknown; see remarks	SCC will be re- quired by HUD to provide 116-174 units of subsidi- zed housing between 1974 and 1978.

*Indicates Federal activities of primary importance.

NUMBER	AGENCY PROGRAM CONTACT PERSON	STATUS	FORM OF SUPPORT	RECIPIENT	AMOUNT	PURPOSE/REMARKS
* 5.	Commerce/HUD EDA George Karras	OMB approval requested	a. EDA grant b. HUD basic water grant. c. ONCD supple- mental grant.	City of Henderson, North Carolina	a. \$1,500,000 b. \$2,640,000 c. \$ 360,000	This is part of \$9,000,000 program for new regional water system serv- ing three counties. Remain- ing funds (\$4,500,000) being contributed by state and local sources.
6.	Commerce OMBE Harold McClendon	Funded; expires 6/30/73	Federal contract	WRPC	\$ 257,500	Industrial promotion
* 7.	do	Pending before OMBE	Federal contract	WRPC	\$ 274,000	Technical assis- tance to SCC. This is an amendment to item 6 to pro- vide additional funding through August 31, 1973.
* 8.	do	Under negotiation	Federal contract	WRPC	\$ 760,000	Minority business development (re- quest is for \$760,000 for fiscal 1974; additional re- quests for \$500,000 in fiscal 1975 and \$250,000 in fiscal 1976 are antici- pated.)

AGENCY PROGRAM	STATUS	FORM OF SUPPORT	RECIPIENT	AMOUNT	PURPOSE/REMARKS	
NUMBER	CONTACT PERSON					
* 9.	EPA Waste Water Treatment (State of North Carolina)	Application tentatively submitted; formal appli- cation in process	Grant	Soul City Sanitary District	\$ 3,000,000	Permanent Sewage Treatment Facil- ities. An addi- tional \$1,000,000 to be supplied by State and Local sources.
10.	OEO Special Programs Michael Thompson	Funded	Grant	Soul City Foundation	\$ 90,000	Planning to in- sure participation of the poor in Soul City.
11.	OEO Office of Health Affairs William White	Funded; expires 12/31/73	Grant	HealthCo.	\$ 1,140,117	Comprehensive Health Services for Warren and Vance Counties (including medical personnel and health facilities).
*12.	do	To be applied for	Grant	HealthCo.	\$1,500,000 ('74) \$1,000,000 ('75)	Extension of No.11 to calendar 1974 and 1975.
*13.	OEO Community Action Program Michael Thompson	Pending before OEO	Grant	Soul City Foundation	\$ 502,875	Planning, con- struction and development of industrial incubator plant.

NUMBER	AGENCY PROGRAM CONTACT PERSON	STATUS	FORM OF SUPPORT	RECIPIENT	AMOUNT	PURPOSE/REMARKS
14.	OEO Legal Services Mr. Hurwitz	Pending before OEO	Grant	Soul City Foundation	\$ 90,000	Legal Services for the poor of Warren and Vance Counties
15.	HEW Office of Education John Lovegrove	Pending before HEW	Grant	Soul City Foundation	\$ 98,220	Provide Remedial Education to Warren County High School Students.
* 16.	HEW National Institute of Education (unknown)	To be applied for	Grant	Soul City Foundation	\$ 200,000 for fiscal 1974;\$200,000 for fiscal 1975.	Planning expansion and improvement of Warren County public schools.
17.	HEW (unknown) (unknown)	To be applied for	Grant	Soul City Foundation	\$ 250,000	Planning and demonstration of child care and day care program and facilities.
18.	HEW Office of Education (unknown)	To be applied for	Grant	Soul City Foundation or Region K	\$ 500,000	Construction and development of regional public library to serve five counties.
* 19.	Department of Labor Manpower Training (unknown)	To be applied for	Grant	Soul City Foundation	\$ 683,000	Planning and demonstration pro- ject to develop regional con- struction trades training program.

NUMBER	AGENCY PERSON CONTACT PERSON	STATUS	FORM OF SUPPORT	RECIPIENT	AMOUNT	PURPOSE/REMARKS
20.	Department of Justice LEAA (unknown)	To be applied for	Grant	Soul City Foundation; Soul City Sanitary District	\$ 400,000	Planning and Development of public safety pro- gram and purchase of equipment.
21.	Department of Interior Historic Preservation (unknown)	To be applied for	Grant	Warren County	\$1,000,000	Preservation and restoration of historic sites and development of recreational areas.
22.	National Endowment for the Arts Expansion Arts Division Vantile Whitfield	Funded	Grant	Soul City \$ Foundation	12,500	Planning Cultural Develop- ment.
23.	DOT Urban Mass Transit Calvin Banks	Pending before DOT	Grant	WRPC	\$ 137,000	Plan road system and public transportation.

24. It is anticipated that there will be developed an African-American Trade Center at Soul City. Planning is in preliminary stages. Some Federal support will be required.

Notes: SCC - The Soul City Company
WRPC - Warran Regional Planning Corporation
ONCD - HUD Office of New Communities Development
OMBE - Office of Minority Business Enterprise

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DATE: June 5, 1973

REPLY TO
ATTN OF:

SUBJECT: Soul City New Community Project

• Mr. O'Neill

I attended a meeting with Brad Patterson and Gordon Carey and Lewis Cohen, two representatives from Soul City. The discussion centered around Federal assistance critical to getting the project off the ground, and the prognosis for successful completion of the project.

The Federal Government has already invested \$1.6 million in Soul City via a HUD planning grant, OMBE industrial promotion grant, OEO health and planning grants and a National Endowment grant. Two other Federal grants totalling \$777 thousand are in the final contract stage. (OMBE, \$274 K and OEO, \$503 K.) For practical purposes, then, the total Federal investment today would be over \$2 million.

In addition, the State of North Carolina and local governments around Soul City have together invested or made firm commitments of about \$5.5 million. The private sector (primarily large New York financial institutions) has also invested over \$1 million in the project.

In short, almost \$8 million in various forms of governmental assistance has already been pumped into the project. Still Soul City needs at least \$5.8 million in assistance in FY 1973 from Federal sources before the project can fly.

These are needed to undertake a regional and internal water system:

HUD	<u>\$4,302 million</u>
New Community guarantee -	(14,000)
Water and sewer	3,140
PFL	500
Supplementary grants	662

EDA	<u>\$1,500 million</u>
-----	------------------------

In addition, the developers are seeking approval for another \$9.7 million in Federal grants over the next 3 years from a variety of Federal agencies. Finally, the availability of Federal housing subsidies is also an important condition for meeting the objectives of the project. The need for this immediate assistance, coupled with the future needs, demonstrates the thin margin on which the success of the project hinges over at least the next ten years.

The immediate issue is whether the past investment argues sufficiently for the commitment of an additional \$15.5 million in Federal funds over the next several years and exposure on \$14 million in guarantees.

Although the current request is for HUD water and sewer and public facility loan assistance, the need for Federal housing subsidies over the life of the project is really the more serious issue. The developer's representatives acknowledged that plans to attract and support a predominantly low and moderate-income population are dependent on the availability of Federal housing subsidies. Approval of the current request will only invite additional pressures for Federal housing subsidies.

In view of this critical linkage with the Federal housing subsidies, we would recommend against approving the current request unless the Administration is prepared to make the decision to provide housing subsidy support. It may be that the project is worthy of special support, perhaps in the context of a research demonstration. Housing subsidies could then be provided by some special arrangement.

Adele D. Jackson

COPY FOR MR. BRAD PATTERSON - THE WHITE HOUSE

NORTH CAROLINA CHAPTER OF THE NATIONAL COMMITTEE FOR A TWO-PARTY SYSTEM

BOARD OF DIRECTORS

Ron Barbee	Carlton Fellers	Floyd McKissick
Alexander Barnes	Marion Goodson	Odell Payne
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Harold Davis	Burford Kidd	Walter Twitty
Helen Edmonds	Kenneth Lee	Mary A. Warren
Floretta Fagin	C. C. Malone, Jr.	

Philosophy

The North Carolina Chapter of the National Committee for a Two-Party System grew out of the belief that a viable two-party system creates a healthier political climate in North Carolina to the benefit of all the people, including minorities.

The North Carolina Chapter of the National Committee for a Two-Party System also came into being out of necessity, recognizing minorities had received meager benefits from a one-party system.

Whereas the Republican Party is the minority party in North Carolina and in order to build an effective two-party system it is necessary that we encourage a broader participation by minority groups to affiliate with the Republican Party to effectuate a two-party system in fact.

If minorities are to exercise their franchise in the most effective manner in a way that really counts — they must have a true two-party choice. Minorities must be important to, and needed by, both parties. Therefore it is necessary to encourage minority registration and participation in the Republican Party.

The Republican Party needs us and we need the Republican Party.

Eligibility

All American voters of all groups who feel that the political party of their choice is not being responsive to the needs and objectives of the masses in securing and recognizing their inherent right in a meaningful participation in a government of, by and for the people.

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THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

APR 10 1973

Mr. Leonard Garment
Special Consultant to the President
The White House
Washington, D. C. 20050

Dear Len:

In your memorandum of February 5, 1973, you request information as to the status of the Soul City New Community project and as to the next steps which should be taken by our office and the Developer to move the project along.

On June 28, 1972, the Developer was made an offer of commitment for a loan guarantee of \$14 million. There are a number of conditions which must be satisfied before the Developer can accept the offer.

The main conditions involve the negotiation of various debt financing agreements, as well as the equity investment of a proposed new partner, the attraction of the initial job base, and obtaining the necessary utility financing, all of which the Developer has to resolve to the satisfaction of HUD.

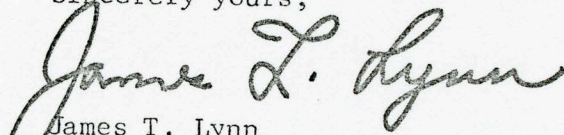
The Office of New Communities staff is working with the Developer on these matters. Progress is being made, especially in satisfying the utility financing condition. On February 14, a contract was signed between the Cities of Henderson, Oxford, and Soul City to construct a regional water system which will provide these towns, as well as other communities in the region, with abundant good water that is urgently needed. Additionally, the Economic Development Administration has agreed to take the lead in coordinating Federal assistance with HUD and has accepted an application to construct the water system. In the application, the proposed financing of the system, estimated to cost \$9 million, includes a \$1.5 million grant from the Economic Development Administration, a \$2.64 million water and sewer grant from HUD, a \$360,000 supplementary grant from HUD, \$2.8 million in general obligation bonds from Henderson and Oxford, and \$1.7 million in State of North Carolina Pure Water bonds. The water system will move forward when the proposed financing becomes available.

EDA is committed to assisting the project. It is exploring specific methods by which its participation can be effected, but has no doubt that a satisfactory method will be developed. EDA's commitment is, of course, contingent upon the completion of a satisfactory environmental impact analysis.

Approval of the HUD water and sewer grant is currently pending further negotiations between HUD and the Office of Management and Budget. Recently, the OMB has indicated it will postpone a decision on some categories of projects, which include the Soul City project, pending receipt of proposals from HUD as to its plans for subsidized housing in new communities. HUD will continue to pursue the completion of the Soul City project and keep you advised of our progress when we have something more definite to report.

Finally, we also will need to complete with the Developer our negotiations of a project agreement and trust indenture and present these documents to the Board of Directors of the New Community Development Corporation for their views and final approval.

Sincerely yours,


James T. Lynn



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

MAR 2 - 1973

Honorable Leonard Garment
Special Consultant to the President
The White House
Washington, D. C. 20500

Dear Mr. Garment:

This is in response to your inquiry of February 5, 1973, concerning the status of a proposed project to construct a regional water system to serve Henderson, Oxford and Soul City, North Carolina.

The Director of the Economic Development Administration's Southeastern Regional Office in Atlanta has just concluded a series of meetings with the three communities involved in the regional system and the other governmental agencies participating in the financing of this project. I am also informed that the EDA portion of the financing is already in application form and is being processed expeditiously.

You may be assured of the complete cooperation of the EDA staff with all local authorities concerned in this matter, in providing all possible assistance to achieve a viable project.

Sincerely,

A handwritten signature in dark ink, likely of the Secretary of Commerce, is written over the typed name.

Secretary of Commerce



THE ASSISTANT SECRETARY OF COMMERCE
Washington, D.C. 20230

June 13, 1973

MEMORANDUM FOR: Leonard Garment
Counsel to the President

SUBJECT : Soul City, North Carolina

Attached, for your information, is a copy of our notification to Mr. Floyd McKissick of the designation of the area which includes Soul City. This action makes the area eligible for projects funded by this agency. Similar notification letters were sent to the local officials, who have been working with Mr. McKissick on a regional water system.

We are in the final stages of processing grant assistance for the water system which will serve Soul City and other area communities. The cities of Oxford and Henderson both passed bond referendums on Saturday, June 2, 1973, authorizing the local funds for these projects.

We have also been in contact with the Department of Housing and Urban Development and hope that their assistance to this project can be completed before the end of the fiscal year, since our grant funds will not be obligated unless the HUD funds are committed.

William W. Blunt, Jr.

William W. Blunt, Jr.
Acting Assistant Secretary
for Economic Development

Attachment

ANNEX F: DETERMINATIONS REGARDING STATUTORY REQUIREMENTS

NEW COMMUNITY PROGRAM

(Urban Growth and New Community Development Act of 1970, Title VII
of the Housing Act of 1970)

Project: Soul City New Community

Action: Offer of Commitment

Determinations: On the basis of a review of the application made in support of the aforementioned project, I hereby determine with respect to such project that the proposed new community--

- (1) will provide an alternative to disorderly urban growth, helping preserve or enhance desirable aspects of the natural and urban environment or so improving economic and general conditions in established communities as to help reverse migration for existing cities or rural areas;
- (2) will be economically feasible in terms of economic base or potential for economic growth;
- (3) will contribute to the welfare of the entire area which will be substantially affected by the program and of which the land to be developed is a part;
- (4) is consistent with comprehensive planning, physical and social determined by the Secretary to provide an adequate basis for evaluating the new community development program in relation to other plans (including State, local and private plans) and activities involving area population, housing and development trends, and transportation, water, sewerage, open space, recreation, and other relevant facilities;
- (5) has received all governmental reviews and approvals required by State or local law, or by the Secretary;
- (6) will contribute to good living conditions in the community and that such community will be characterized by well balanced and diversified land use patterns and will include or be served by adequate public, community, and commercial facilities (including facilities needed for education, health and social services, recreation, and transportation) deemed satisfactory by the Secretary;

- (7) makes substantial provision for housing within the means of persons of low and moderate income and that such housing will constitute an appropriate proportion of the community's housing supply; and
- (8) will make significant use of advances in design and technology with respect to land utilization, materials and methods of construction, and the provision of community facilities and services.

Community Development Corporation

By _____

Samuel C. Jackson
General Manager

THE WHITE HOUSE

WASHINGTON

June 15, 1973

MEMORANDUM FOR FLOYD HYDE

SUBJECT: Soul City

The attached draft memorandum is the matter which I wish to discuss with you next Tuesday at 4:30.

In preparing it, I have consulted Paul O'Neill and Ted Lamont and their staffs and Dana Mead: Bill Hamm may be joining me Monday plus whoever you would wish from HUD. My purpose as I explained to Jim Lynn is to get your and his own views into this memorandum and then send it forward to Mr. Laird promptly.



Bradley H. Patterson, Jr.

cc: Paul O'Neill
Dana Mead

attachment

DRAFT

MEMORANDUM FOR MEL LAIRD

SUBJECT: Soul City

Soul City is a prospective New Community in North Carolina, the first (and only) free-standing new community among the fifteen which HUD is now assisting pursuant to the Urban Growth and New Community Development Act of 1970. It is 5,200 acres, will represent a land acquisition and development investment alone of \$76,000,000 and will eventually have 13,000 residences and a population of almost 45,000. It would be located just south of the Virginia border, within an hour's commuting time of Raleigh, Durham, Wake Forest and Rocky Mount.

The developer of Soul City is Floyd McKissick, one of the nation's best known black leaders.

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moderate income housing. Both of these actions affected the plans for Soul City, and McKissick came to see me in February, asking me the question: were we going to go ahead with our support of Soul City?

Brad Patterson and I have been in touch with OMB, EDA, HUD and McKissick and especially have requested that McKissick list on one chart all his present and proposed federal subsidies. This chart appears as Attachment A.

As of now, Soul City is empty land, with a few old houses and barns. But extensive plans (and commitments) have been made. Four agencies of the Federal Government have already invested \$1.628 million in Soul City planning (Attachment A, items 2, 6, 10, 11 and 22) and have now committed \$.7 million more (items 7 and 13) so our federal investment is \$2.3 million at present.

The developers of Soul City have requests either pending or envisaged for (a) at least \$15.8 million in additional federal grants, (b) \$.5 in additional loans, (c) \$14.0 in guarantees and (d) a large, but unknown amount for housing subsidy payments (see below). Thus, at least \$16.370 millions in added federal subsidization would be needed with the further risk of \$14 millions in guarantee exposure. (This is not unusual for the "new communities"; typically they have comprehensive shopping lists for federal assistance.) Of Soul City's total requirements, however, close to \$5.892, almost all of it water and sewer grants from HUD and EDA, is FY 1973 money, requiring decision before the end of this month.

The policy question is: should the U.S. Government go ahead, this month and in the months to come, committing more than \$16 million on top of the \$2.3 million we have already invested to help new community Soul City get built, and committing the guarantee?

One difficulty in answering this question as it applies to Soul City (See item #4 in Attachment A) is that not only Soul City but every other one of the 15 New Communities is in effect required by Section 712 of the New Community Development Act to include "an appropriate portion" of low and moderate income housing. In Soul City, the total is expected to reach at least 3,700 units over 25 years -- 200 in the next 3 years.

The Administration's suspension of new commitments under its erstwhile subsidy programs for low and moderate income housing will stay in effect pending a comprehensive study now in progress with HUD but not due for presentation to the President until September. On March 20, 1973 in Congressional testimony, Secretary Lynn stated that "instructions will be issued shortly to honor the bona fide commitments as promised by Secretary Romney. The areas in which these commitments fall include:.. New Communities..."

Secretary Lynn thus has authority to meet immediate needs for subsidized low and moderate income housing in Soul City (depending on how he sets his internal priorities but in Soul City for FY 1974 this need amounts to only five units.

The Secretary obviously cannot make any longer-range commitment for assistance to low and moderate income housing -- in Soul City or anywhere else -- until he and the President have reviewed the September study, have decided on what direction to take and until the Congress has approved it. If it should eventually be decided that there will be no further such subsidy program, Soul City and the other New Communities will be very different places from what was originally conceived -- they will not have the balance in types of housing which the New Community Development Act intended. In Soul City's case such a lack may be very harmful. (Attachment B is an OMB memorandum on this subject).

But at least the next increment of our commitment to Soul City (the \$5.892 million) must be decided on before this June 30; we cannot wait until next September to make this decision.

Before making a recommendation, here is an analysis of what might be called the assets and risks:

Soul City's Assets

1. A Presidential policy favoring (a) minority enterprise development and (b) concrete results instead of rhetoric about it.
2. A committed and capable developer, (and a political friend -- see attachment C) who wants to make this project one of the best of the President's concrete accomplishments.

3. The State (and the Governor) of North Carolina, which has already committed \$125,000 in a planning grant, \$75,000 in road work, and \$1.3 million for the required 3-county regional water system, and which will commit another \$.4 next year. Governor Holzhauser (and I have reconfirmed this just now) is a strong proponent of Soul City.
4. The neighboring cities of Henderson and Oxford, N. C. which just June 2 approved referenda committing themselves to put up \$2.8 million of bonds for that regional water system.
5. The four Federal Agencies (HUD, OEO, Commerce and the National Endowment on the Arts) which have put up the \$2.3 up to now. Secretaries Lynn's and Dent's memoranda and the very recent one of Acting Assistant Secretary Blunt are attached (Attachment D).
6. HUD's conviction, as expressed by Ted Lamont, Director of its Office of New Communities Development, that Soul City will become an important growth center in the northern North Carolina area and will significantly help to stem the out-migration from this area which up to now has been one of the highest in the State.
7. Private lenders and investors who have made the following commitments to Soul City:
 - a) \$1.5 million in equity from McKissick Enterprises, the National Corporation for Housing Partnerships and the black architectural firm Madison-Madison International.

b) \$1.5 million in a combination of secured and unsecured loans from Chase Manhattan, North Carolina National Bank, the National Corporation for Housing Partnerships, the Mechanics and Farmers Bank of Charlotte and a dozen miscellaneous lenders.

c) \$1.15 million in mortgage promises from various sources.

8. Soul City's economic geography, which has I-85 and the Seaboard Railway abutting it.
9. The Board of Directors of the New Community Development Corporation which on June 28, 1972 after the most careful analysis and consideration approved making a conditional offer of commitment to Soul City (the \$14,000,000 guarantee), having officially confirmed the eight determinations, (pursuant to statute) set forth in Attachment E, and made the finding that the Soul City enterprise is "an acceptable financial risk to the United States".
10. McKissick's promise (which HUD insists upon as a condition of the guarantee) to install a competent General Manager for the whole Soul City enterprise.

Soul City's Risks

1. Soul City is located in a low-income area which may not be as attractive to prospective homeowners/businesses as alternative opportunities.

(This is why assistance for the "incubation" of industries, for manpower training grants, and for low-income housing are necessary).

2. A principal "unknown" is whether, once he has his land watered and sewerred and otherwise developed, McKissick will really be able to sell parcels of it to residential and commercial customers.

3. HUD officials and the New Community Development Corporation Board recognize that a new, free-standing community is a more chancey enterprise than the other 14 new communities being assisted by HUD, in that the other 14 are located in or very near suburbs or other existing growth areas. (One HUD officer has informally characterized the Soul City enterprise as "a poverty case... marginal at best" Paul O'Neill in OMB considers this description as accurate: Mr. Ted Lamont, Director of HUD's Office of New Communities Development disputes it).

4. The project appears to be dependent upon support from HUD water and sewer grant and loan programs which have already been terminated. Should these programs be opened up for Soul City, the Administration will be subject to pressure to make further exceptions in special cases. If we should make such further exceptions, this could jeopardize our budgetary strategy.

5. There is a real possibility that if Federal housing production subsidies are unavailable for the long term, this lack will undermine the entire Soul City project.

Conclusion

In reviewing all of the points here, balancing the assets and risks, I am impressed above all with firm and specific commitments which have so far been made by so many different individuals and institutions: the State of North Carolina, the towns of Henderson and Oxford, the many government professionals who have evaluated the promise of this enterprise, the private banks, organizations and individuals who have put not only their faith but their money on the line, convinced of Soul City's eventual success. In my four years here, I have seen few projects in the minority development field which have put together as much as this one has.

Recommendations

1. We should give Soul City the green light and inform the interested agencies that we have done so. For FY 1973 this means specifically a green light for the water and sewer grants. In the field of housing policy in the short term, this means that Secretary Lynn will have our support in regarding Soul City's immediate requests for subsidized low and moderate income housing as among the "bona fide commitments" which he can and will handle under his existing authority and funds. In the long term, this means that McKissick ^{(along with} ~~and~~ all the other New Community developers) ^{his} ~~their~~ will have to continue to take ~~their~~ chances as to whether federal government will have an on-going subsidy program for low and moderate income housing.

2. We should ask HUD to designate an implementation monitorship officer to work with the various federal agencies to ensure the coordinated handling of the applications from Soul City (and from the other New Communities); we should notify the other agencies of our support of this designation.

Leonard Garment

attachment

THE WHITE HOUSE

WASHINGTON

June 15, 1973

MEMORANDUM FOR FLOYD HYDE

SUBJECT: Soul City

The attached draft memorandum is the matter which I wish to discuss with you next Tuesday at 4:30.

In preparing it, I have consulted Paul O'Neill and Ted Lamont and their staffs and Dana Mead: Bill Hamm may be joining me Monday plus whoever you would wish from HUD. My purpose as I explained to Jim Lynn is to get your and his own views into this memorandum and then send it forward to Mr. Laird promptly.



Bradley H. Patterson, Jr.

cc: Paul O'Neill
Dana Mead

attachment

DRAFT

MEMORANDUM FOR MEL LAIRD

SUBJECT: Soul City

Soul City is a prospective New Community in North Carolina, the first (and only) free-standing new community among the fifteen which HUD is now assisting pursuant to the Urban Growth and New Community Development Act of 1970. It is 5,200 acres, will represent a land acquisition and development investment alone of \$76,000,000 and will eventually have 13,000 residences and a population of almost 45,000. It would be located just south of the Virginia border, within an hour's commuting time of Raleigh, Durham, Wake Forest and Rocky Mount.

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Last January, we announced that HUD would approve no more applications for water and sewer grants (no matter how far along they were) and we also announced that HUD was suspending its subsidy program for low and

moderate income housing. Both of these actions affected the plans for Soul City, and McKissick came to see me in February, asking me the question: were we going to go ahead with our support of Soul City?

Brad Patterson and I have been in touch with OMB, EDA, HUD and McKissick and especially have requested that McKissick list on one chart all his present and proposed federal subsidies. This chart appears as Attachment A.

As of now, Soul City is empty land, with a few old houses and barns. But extensive plans (and commitments) have been made. Four agencies of the Federal Government have already invested \$1.628 million in Soul City planning (Attachment A, items 2, 6, 10, 11 and 22) and have now committed \$.7 million more (items 7 and 13) so our federal investment is \$2.3 million at present.

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EDA, is FY 1973 money, requiring decision before the end of this month.

(A preliminary commitment for the water and sewer grant was made within HUD a year ago this month.)

The policy question is: should the U.S. Government go ahead, this month and in the months to come, ^{finally} committing more than \$16 million on top of the \$2.3 million we have already invested to help new community Soul City get built, and committing the guarantee?

One difficulty in answering this question as it applies to Soul City (See item #4 in Attachment A) is that not only Soul City but every other one of the 15 New Communities is in effect required by Section 712 of the New Community Development Act to include "an appropriate portion" of low and moderate income housing. In Soul City, the total is expected to reach at least 3,700 units over 25 years -- 200 in the next 3 years.

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President's concrete accomplishments. ~~But~~ *Floyd Hyde* ~~and~~

believes McKissick is going to stay with this project for a long time.

3. The State (and the Governor) of North Carolina, which has already committed \$125,000 in a planning grant, \$75,000 in road work, and \$1.3 million for the required 3-county regional water system, and which will commit another \$.4 next year. Governor Holzhauser (and I have reconfirmed this just now) is a strong proponent of Soul City.
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(This is why assistance for the "incubation" of industries, for manpower training grants, and for low-income housing are necessary).

2. A principal "unknown" is whether, once he has his land watered and sewerred and otherwise developed, McKissick will really be able to sell parcels of it to residential and commercial customers.

3. *Under Secretary Hyde and ~~all the~~ other members of the Board of the* HUD officials and the New Community Development Corporation, *did it with their fingers crossed, recognizing* *(much)* *never while making their positive findings* ~~Board~~ recognized that a new, free-standing community is a more chancey enterprise than the other 14 new communities being assisted by HUD,

in that the other 14 are located in or very near suburbs or other existing growth areas. *Floyd Hyde still* ~~(One HUD officer has informally characterized~~ the Soul

City enterprise as *"a poverty case... marginal at best"* Paul O'Neill *(concur with)* of OMB considers this description ~~as accurate~~ Mr. Ted Lamont, Director of HUD's Office of New Communities Development disputes it).

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Should *these* ~~these~~ programs be opened up for Soul City, the Administration will be subject to pressure to make further exceptions in special cases. If we should make such further exceptions, this could jeopardize our budgetary strategy. - CONTINUE WITH INSERT

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and as requiring significant amount of grant assistance in order to succeed.

Conclusion

In reviewing all of the points here, balancing the assets and risks, I am impressed ~~above all~~ ^{the} with firm and specific commitments which have so far been made by so many different individuals and institutions: the State of North Carolina, the towns of Henderson and Oxford, the many government professionals who have evaluated the promise of this enterprise, the private banks, organizations and individuals who have put not only their faith but their money on the line, convinced ^(that) ~~of~~ Soul City ~~is~~ ^{an enterprise with promise.} ~~annual success.~~ In my four years here, I have seen few projects in the minority development field which have put together as much as this one has.

Under Secretary Hyde and I share an additional conviction: the whole New Communities program is and was expected to be an experimental venture, with inherent risks. We should not now argue that because one of these new communities has ~~been~~ ^(is "marginal"), it should be scrubbed. Unless we go ahead with this, ~~XXXXXXXXXXXXXXXXXXXX~~ how are we ever going to find out whether a new town, beginning from scratch in ~~an~~ ^(entirely) rural area, can be made to succeed?

If we now say "no" to McKissick, we will stand accused not only of reneging on ^(specific) commitments to him, but of reneging on the President's commitment to the whole minority enterprise concept. However unfair or inaccurate those accusations may be in a narrow sense, in the broader context they will be ~~very~~ persuasive to the public and damaging to all of us on the domestic side of the Administration.

THE WHITE HOUSE

WASHINGTON

June 15, 1973

MEMORANDUM FOR FLOYD HYDE

SUBJECT: Soul City

The attached draft memorandum is the matter which I wish to discuss with you next Tuesday at 4:30.

In preparing it, I have consulted Paul O'Neill and Ted Lamont and their staffs and Dana Mead. Bill Hamm may be joining me Monday plus whoever you would wish from HUD. My purpose as I explained to Jim Lynn is to get your and his own views into this memorandum and then send it forward to Mr. Laird promptly.



Bradley H. Patterson, Jr.

cc: Paul O'Neill
Dana Mead

attachment



JUN 13 1973

MEMORANDUM FOR: Leonard Garment
Counsel to the President

SUBJECT : Soul City, North Carolina

Attached, for your information, is a copy of our notification to Mr. Floyd McKissick of the designation of the area which includes Soul City. This action makes the area eligible for projects funded by this agency. Similar notification letters were sent to the local officials, who have been working with Mr. McKissick on a regional water system.

We are in the final stages of processing grant assistance for the water system which will serve Soul City and other area communities. The cities of Oxford and Henderson both passed bond referendums on Saturday, June 2, 1973, authorizing the local funds for these projects.

We have also been in contact with the Department of Housing and Urban Development and hope that their assistance to this project can be completed before the end of the fiscal year, since our grant funds will not be obligated unless the HUD funds are committed.

(Signed) William W. Blunt, Jr.

William W. Blunt, Jr.
Acting Assistant Secretary
for Economic Development

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DATE: June 12, 1973

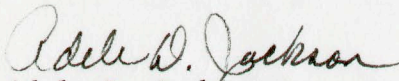
REPLY TO
ATTN OF:

SUBJECT: Soul City

Mr. O'Neill

A couple of points should be brought to Brad Patterson's attention about the subsidized housing problem.

1. The President's budget only authorizes the use of commitment authority for immediate needs (FY 1973 and 1974). Though commitment authority could be made available beyond 1974 through administrative action, its availability will depend upon the outcome of the housing study. Needless to say, this may mean an end to the production type subsidy programs.
2. Soul City does not now have an application on file at HUD for any subsidized housing projects. While covered by our current agreement with HUD, the soliciting of new applications would go counter to the general public's impression that HUD activity during the suspension is limited to applications submitted to HUD as of January 5.


Adele D. Jackson

Attachment

June 12, 1973

Soul City

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Adele D. Jackson

Attachment

OFFICE OF MANAGEMENT AND BUDGET
ROUTE SLIP

TO Mr. Hamm

Hamm

Take necessary action ☐

Approval or signature ☐

Comment ☐

Prepare reply ☐

Discuss with me ☐

For your information ☐

See remarks below ☐

Mr. O'Neill

FROM Adele D. Jackson

ADJ

DATE 6-12-73

REMARKS

Paul-

See our mark-up of the of Harment memo, attached.

We are presently trying to track down a new option in this area: Having EDA (with its new lease on life) provide all of the water and sewer money for Soul City. This way, we avoid opening up HUD's program.

This, of course, will solve our housing problem.

Hamm

OMB FORM
REV AUG 7

THE WHITE HOUSE
WASHINGTON

BP

June 8

LG:

This has taken several weeks of work, conferences, phone calls, exchanges of drafts, etc.

I have today given copies of this completed draft to Paul O'Neill, Stan Scott and Dana Mead, inviting their comments before I send it to you for final OK. So this version is somewhat tentative, but almost in final form.

[Handwritten signature]

*Good
OK - move ahead
on this.*

L.

6/9

FEDERAL SUPPORT FOR SOUL CITY
AND
STATE PLANNING REGION K

<u>NUMBER</u>	<u>AGENCY PROGRAM CONTACT PERSON</u>	<u>STATUS</u>	<u>FORM OF SUPPORT</u>	<u>RECIPIENT</u>	<u>AMOUNT</u>	<u>PURPOSE/REMARKS</u>
* 1.	HUD New Communities Laura Kuitunen	Offer of commitment made June 28, 1972	Debenture guarantees	SCC	\$14,000,000	This is the basic HUD guarantee under Title VII of the HUD Act of 1970 to support a new community.
2.	HUD 701 Planning Malachi Knowles	Funded; expires 6/30/73	Grant	State of North Carolina; subcontracted to WRPC	\$ 128,000	Physical planning for region and new community.
* 3.	HUD Water and Sewer Donald Patch	OMB approval requested by HUD and pending	a. Basic water and sewer grant b. ONCD supple- mental grant c. Public facil- ities loan	Soul City Sanitary District	a. \$ 500,000 b. \$ 302,000 c. \$ 500,000	Interim water and sewer systems for Soul City. SCC is contributing an additional \$514,000.
* 4.	HUD Low and Moderate Income Housing Programs (unknown)	To be applied for	Housing subsidies; rent supplements; public housing	Various housing developers	Dollar amount unknown; see remarks	SCC will be re- quired by HUD to provide 116-174 units of subsidi- zed housing between 1974 and 1978.

*Indicates Federal activities of primary importance.

<u>NUMBER</u>	<u>AGENCY PROGRAM CONTACT PERSON</u>	<u>STATUS</u>	<u>FORM OF SUPPORT</u>	<u>RECIPIENT</u>	<u>AMOUNT</u>	<u>PURPOSE/REMARKS</u>
* 5.	Commerce/HUD EDA George Karras	OMB approval requested	a.EDA grant b.HUD basic water grant. c.ONCD supple- mental grant.	City of Henderson, North Carolina	a.\$1,500,000 b.\$2,640,000 c.\$ 360,000	This is part of \$9,000,000 program for new regional water system serv- ing three counties. Remain- ing funds (\$4,500,000) being contributed by state and local sources.
6.	Commerce OMBE Harold McClendon	Funded; expires 6/30/73	Federal contract	WRPC	\$ 257,500	Industrial Promotion
* 7.	do	Pending before OMBE	Federal contract	WRPC	\$ 274,000	Technical assis- tance to SCC.This is an amendment to item 6 to pro- vide additional funding through August 31,1973.
*8.	do	Under negotiation	Federal contract	WRPC	\$ 760,000	Minority business development (re- quest is for \$760,000 for fiscal 1974; additional re- quests for \$500,00 in fiscal 1975 and \$250,000 in fiscal 1976 are antici- pated.)

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* 9.	EPA Waste Water Treatment (State of North Carolina)	Application tentatively submitted; formal appli- cation in process	Grant	Soul City Sanitary District	\$ 3,000,000	Permanent Sewage Treatment Facil- ities. An addi- tional \$1,000,000 to be supplied by State and Local sources.
10.	OEO Special Programs Michael Thompson	Funded	Grant	Soul City Foundation	\$ 90,000	Planning to in- sure participation of the poor in Sou. City.
11.	OEO Office of Health Affairs William White	Funded; expires 12/31/73	Grant	HealthCo.	\$ 1,140,117	Comprehensive Health Services for Warren and Vance Counties (including medical personnel and health facilities).
*12.	do	To be applied for	Grant	HealthCo.	\$1,500,000 ('74) \$1,000,000 ('75)	Extension of No.11 to calendar 1974 and 1975.
*13.	OEO Community Action Program Michael Thompson	Pending before OEO	Grant	Soul City Foundation	\$ 502,875	Planning, con- struction and development of industrial incubator plant.

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14.	OEO Legal Services Mr. Hurwitz	Pending before OEO	Grant	Soul City Foundation	\$ 90,000	Legal Services for the poor of Warren and Vance Counties
15.	HEW Office of Education John Lovegrove	Pending before HEW	Grant	Soul City Foundation	\$ 98,220	Provide Remedial Education to Warren County High School Students.
* 16.	HEW National Institute of Education (unknown)	To be applied for	Grant	Soul City Foundation	\$ 200,000 for fiscal 1974;\$200,000 for fiscal 1975.	Planning expansion and improvement of Warren County public schools.
17.	HEW (unknown) (unknown)	To be applied for	Grant	Soul City Foundation	\$ 250,000	Planning and demonstration of child care and day care program and facilities.
18.	HEW Office of Education (unknown)	To be applied for	Grant	Soul City Foundation or Region K	\$ 500,000	Construction and development of regional public library to serve five counties.
* 19.	Department of Labor Manpower Training (unknown)	To be applied for	Grant	Soul City Foundation	\$ 683,000	Planning and demonstration pro- ject to develop regional con- struction trades training program.

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20.	Department of Justice LEAA (unknown)	To be applied for	Grant	Soul City Foundation; Soul City Sanitary District	\$ 400,000	Planning and Development of public safety pro- gram and purchase of equipment.
21.	Department of Interior Historic Preservation (unknown)	To be applied for	Grant	Warren County	\$1,000,000	Preservation and restoration of historic sites and development of recreational areas.
22.	National Endowment for the Arts Expansion Arts Division Vantile Whitfield	Funded	Grant	Soul City Foundation	\$ 12,500	Planning Cultural Develop- ment.
23.	DOT Urban Mass Transit Calvin Banks	Pending before DOT	Grant	WRPC	\$ 137,000	Plan road system and public transportation.
24.	It is anticipated that there will be developed an African-American Trade Center at Soul City. Planning is in preliminary stages. Some Federal support will be required.					

Notes: SCC - The Soul City Company
 WRPC - Warran Regional Planning Corporation
 ONCD - HUD Office of New Communities Development
 OMBE - Office of Minority Business Enterprise

Finally, to place the Federal support described below in context, it is important to note that it is only a fraction of the overall cost of developing Soul City. Private, State and local sources have already made substantial commitments, and in later years their contributions can be expected to predominate. Approximately \$1,500,000 has been provided to date by banks and other lenders, and an additional approximately \$1,500,000 will be contributed by the partners in The Soul City Company as equity capital when the debentures are issued. The State of North Carolina has already spent or committed nearly \$2,000,000, and neighboring local governments have committed \$2,800,000. The essential Federal role is to provide the seed money, leverage and long-term security essential to enable others to undertake a project of this magnitude.

Adelle Jackson

FEDERAL ASSISTANCE TO SOUL CITY, NORTH CAROLINA, AND ITS REGION

The following table summarizes the various forms of Federal assistance now being provided, and formally requested, and expected to be required by Soul City and its Region.

Soul City will be the first free-standing new town to be developed under Title VII of the Housing and Urban Development Act of 1970. It will require a unique combination of private, Federal, State and local action over the thirty year span of the Development Plan. In that time, problems that now seem large will disappear, and problems now invisible will present themselves. The table below is therefore only an outline on the basis of information now available.

There is one other essential preliminary point. The Federal support listed below is quite varied not only in form and budgetary impact but also in its recipients and beneficiaries. Some of the Federal actions will benefit The Soul City Company, the Developer of Soul City, in accordance with statutory policies of assisting both new town development and minority business enterprise. Other Federal actions will be directed toward the entire Region, including its existing communities as well as Soul City. Still other actions will be aimed directly at the new residents of Soul City, persons who are not now identified.

June 5, 1973

Soul City New Community Project

Mr. O'Neill

I attended a meeting with Brad Patterson and Gordon Carey and Lewis Cohen, two representatives from Soul City. The discussion centered around Federal assistance critical to getting the project off the ground, and the prognosis for successful completion of the project.

The Federal Government has already invested \$1.6 million in Soul City via a HUD planning grant, OMBE industrial promotion grant, OEO health and planning grants and a National Endowment grant. Two other Federal grants totalling \$777 thousand are in the final contract stage. (OMBE, \$274 K and OEO, \$503 K.) For practical purposes, then, the total Federal investment today would be over \$2 million.

In addition, the State of North Carolina and local governments around Soul City have together invested or made firm commitments of about \$5.5 million. The private sector (primarily large New York financial institutions) has also invested over \$1 million in the project.

In short, almost \$8 million in various forms of governmental assistance has already been pumped into the project. Still Soul City needs at least \$5.8 million in assistance in FY 1973 from Federal sources before the project can fly.

These are needed to undertake a regional and internal water system:

HUD	\$4,302 ⁽⁰⁰⁰⁾ million
New Community guarantee -	(14,000)
Water and sewer	3,140
PFL	500
Supplementary grants	662

EDA \$1,500 million

In addition, the developers are seeking approval for another \$9.7 million in Federal grants over the next 3 years from a variety of Federal agencies. Finally, the availability of Federal housing subsidies is also an important condition for meeting the objectives of the project. The need for this immediate assistance, coupled with the future needs, demonstrates the thin margin on which the success of the project hinges over at least the next ten years.

The immediate issue is whether the past investment argues sufficiently for the commitment of an additional \$15.5 million in Federal funds over the next several years and exposure on \$14 million in guarantees.

Although the current request is for HUD water and sewer and public facility loan assistance, the need for Federal housing subsidies over the life of the project is really the more serious issue. The developer's representatives acknowledged that plans to attract and support a predominantly low and moderate-income population are dependent on the availability of Federal housing subsidies. Approval of the current request will only invite additional pressures for Federal housing subsidies.

In view of this critical linkage with the Federal housing subsidies, we would recommend against approving the current request unless the Administration is prepared to make the decision to provide housing subsidy support. It may be that the project is worthy of special support, perhaps in the context of a research demonstration. Housing subsidies could then be provided by some special arrangement.

Adele D. Jackson

*The North Carolina Chapter
of
The National Committee for a Two-Party System
in Cooperation with
The Republican Party of North Carolina
and the
Minority Republican Caucus
invite you to attend a dinner
to be held in the Ballroom of the
Hilton Inn
Hillsborough Street, Raleigh, North Carolina
Friday evening, May 25, 1973
at eight o'clock
Cocktails will be served promptly at seven p. m.
Subscription: \$100.00*

(EACH SUBSCRIBER IS ENTITLED TO BRING ONE GUEST)

R.S.V.P.
BY MAY 15

DRESS FORMAL
RESERVED SEATING

THE WHITE HOUSE

WASHINGTON

May 25

Paul -

Len has just gone down
to Key Biscayne with the
President; I would like your
opinion as to whether this is
an OK draft to ~~put~~ before
~~ZZZ~~ LG for signature to Ken.

Pls. return file.

Tab A will be Adele's memo.

Brud

MAY 24 1973

Mr. Floyd B. McKissick
President, Floyd McKissick
Enterprises, Inc.
P. O. Box 188
Soul City, North Carolina 27553

Dear Mr. McKissick:

The Northern North Carolina Rural Special Impact Area in Vance, Warren and Granville counties is designated by the enclosed official order as a redevelopment area under Section 401 (a) (6) of the Public Works and Economic Development Act of 1965, as amended. Public Works and other projects within the designated area are now eligible for financial assistance as provided by the Act.

As you know, the programs of EDA will be terminated on June 30, 1973. The President's proposed Fiscal Year 1974 budget provides for other agencies and programs to serve some of EDA's objectives. These include the rural development programs of the Department of Agriculture. We are presently processing the application for financial assistance with existing funds for the regional water system for the area which is now designated. We expect to be able to notify you about the disposition of the application in the next few weeks.

We wish you success in carrying out your programs to improve employment and economic conditions in your area. If you have any questions, our Southeastern Regional Office, Suite 555, 1401 Peachtree Street, NE, Atlanta, Georgia, 30309 (Phone 404-526-6407) will be glad to assist you.

Sincerely,
(Signed) William W. Blunt, Jr.

William W. Blunt, Jr.
Acting Assistant Secretary
for Economic Development

Enclosure

\$ 90,000 rec'd - OEO
+ 50,000
~~Don Jones~~
Mike Thompson
& Rancher Tegg

DOT -- Calvin Banks
Joint proposal to
DOT & N.C.
Western Reg Planning Agency

\$ 150,000
matching NC

OFL
Manpower & Training - for
people coming into area
Trade training for city
builders
\$.5^m - app - from FY '73

OMB E 275,000

HEW

Title I of ESEA

Improve quality &
education

\$200,000

EPA

Atlanta office

EDA

Regional System

1.7 NC
1.5 EDA
3.0 HUD

Henderson 2 M sand / sat
Ofoed .8-9 / sat

9.5

Intersect

HUD .5
EPA 2.5

3.0

EPA

Santory District
Created Fri

Henderson Bond
election Sat 6/2

Soul City Santory
District

HUD

Joint Regional Water
Sept. -
from Lake to a delaware
park
SC San Dist.
then

456-3490



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

3111

May 22, 1973

Mr. Leonard Garment
Special Assistant to the President
The White House
Washington, D. C.

Dear Leonard:

We are moving along toward the closing of the Soul City project. We have, however, been faced with a lack of coordination among various federal agencies; possibly because of a single governmental agency not being charged with the responsibility for that coordination. The building of Soul City, a free-standing new community, will, of course, require the efforts and resources of all federal agencies, if not now, in the near future. We are extremely desirous of having a Federal Coordinator appointed who can stay abreast of this project at all times and whose responsibilities will be to see that the project is built by developing an effective means of communication among all federal agencies, along with a timing of their participation, the collection of all data and documents regarding the development of the project and who could serve as our direct communications liaison with the various federal agencies on a permanent or regular basis.

I need your assistance in helping us solve this problem. It might be that you could name an agency or individual who might assume this responsibility and under whose direction and supervision this person would function. Presently we are dealing with the following governmental agencies:



Mr. Leonard Garment

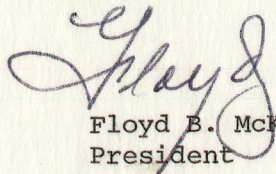
May 22, 1973

In the future not only will there be continuing on-going relationships with the aforementioned agencies; the private foundation sector and the private industrial sector; but as the project develops additional contacts will be made with the Department of the Interior, the Department of Labor, the Department of Health, Education and Welfare, the U. S. Department of Agriculture, the Office of the Small Business, Administration, the Economic Development Administration, the U. S. Department of Justice, and many others that relate to new town development.

The Soul City project is being and will continue to be carefully scrutinized by American society. It is for this reason that the successful execution of our objectives can more easily be accomplished if perfect coordination is achieved now. Secondly, a tremendous amount of staff time is required on our part in carrying out on-going negotiations with each separate federal agency. Thus, if a Federal Coordinator were established; our needs could be conveyed to the coordinator who would in turn evaluate those needs and then pass our requests to the appropriate agency for action.

Let me hear from you after you have had the opportunity to think about this suggestion. With very kind regards, I remain;

Very truly yours,



Floyd B. McKissick
President

FBM:jg

Mr. Leonard Garment

May 22, 1973

U. S. Department of Housing and Urban Development

Office of New Communities Development
Office of Public Works
Office of Public Facilities

701 Grant

\$14 Million Dollar Guarantee
Regional Water System
Regional Water System
Sanitary District
Contract for Physical
Planning (WRPC)

U. S. Office of Economic Opportunity

Comprehensive Health Planning
Social Advocacy Planning - *Grant - FY '73*
Manpower & Training

HealthCo, Inc.
Soul City Foundation, Inc. ^{\$} 90,000
Soul City Foundation, Inc.

U. S. Environmental Protection Agency

Sewage Disposal Grants

U. S. Postal Service

Soul City Official Designation

U. S. Department of Commerce

Office of Minority Business Enterprise

Contract for Industrial
Development (WRPC)

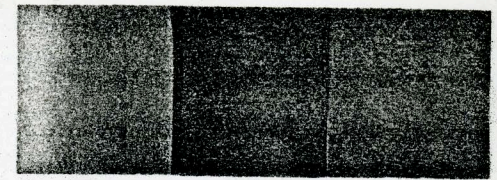
U. S. Department of Health, Education & Welfare

Career Learning Lab Proposal

Soul City Foundation, Inc.

U. S. Department of Transportation

Study on Road Development in Soul City; interim five year period.



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

May 22, 1973

Mr. George Bush
Chairman
Republican National Committee
Dwight D. Eisenhower Republican Center
310 First Street, S.E.
Washington, D. C. 20003

Dear George:

Thanks for your note of April 12, 1973. I, too, enjoyed meeting with you and Ed Sexton. In fact, I suggest that we meet again in the very near future. While my concerns remain the same as I indicated to you on my recent visit, they have been intensified by recent events. In the meantime, I continue to have the utmost confidence in President Nixon and the Republican Party.

As you were advised, The National Committee for a Two-Party System, Inc. is moving along in the accomplishment of its objectives. Attached hereto please find copy of article from The Montgomery Advertiser, dated May 13, 1973, regarding The National Committee for a Two-Party System, Inc.

The recent loss of key, well-known Blacks in the Administration such as, Robert J. Brown, Samuel C. Jackson, Samuel Simmons, John Jenkins; and, Edwin Sexton, who I understand is leaving the Republican National Committee, opened the Republican Party to additional attacks from the Black community. Moreover, no substitute Black appointees have been made, to fill the leaders' shoes.

The implications growing out of the Watergate case make it imperative that the Republican Party assume the initiative on the domestic front. The focal point should now be on minorities. This could offset some of the readings that I am now getting from the Black community. (See attached NAACP Housing Bulletin.) Could we not get together and develop a program to deal with these matters at a very early date.



Dedicated to the Building of Black Economic Power"

Mr. George Bush

- 2 -

May 22, 1973

The National Committee for a Two-Party System, Inc. will be setting up chapters in Pensacola, Florida; Mobile, Alabama; Fayette, Mississippi; Pittsburgh, Pennsylvania; Chicago, Illinois; Brooklyn, Queens, New York and New York City within the next few months in addition to those two chapters that we have set up in Tuskegee, Alabama and North Carolina, completing our goal for May, 1973. We have raised and used our own funds in this effort. There is a need for better organization and coordination between The National Committee for a Two-Party System, Inc. and the National Republican Party; and, it is for this reason we feel that a meeting, profitable to both organizations, be called in the very near future.

With very kind regards, I am

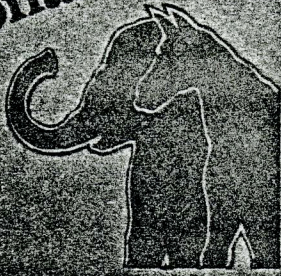
Yours very truly,

Floyd B. McKissick

cc: Mr. Leonard Garment
The Honorable John Connally

- Enclosures:
- (1) Article from The Montgomery Advertiser, dated May 13, 1973, entitled: "Blacks Urged to Find New Community Funding"
 - (2) NAACP Housing Bulletin, April, 1973.
 - (3) Conference Notes for Meeting, Friday, March 30, 1973
 - (4) "What The National Committee for a Two-Party System, Inc. Does Not Believe" dated May 16, 1973
 - (5) Three (3) Invitations to The North Carolina Chapter of The National Committee for a Two-Party System, Inc. Dinner, scheduled for Friday, May 25, 1973, Hilton Inn, Raleigh, North Carolina.

The National Committee for a Two Party System Inc.



NEWS

MR. FLOYD B. McKISSICK
CHAIRMAN

MAYOR JOHNNY FORD
CO-CHAIRMAN

DR. CHARLES G. HURST
EXECUTIVE DIRECTOR

WHAT THE NATIONAL COMMITTEE FOR A TWO-PARTY SYSTEM, INC.

DOES NOT BELIEVE

May 16, 1973

-
1. WE DO NOT BELIEVE THAT BLACKS OR OTHER MINORITIES SHOULD FORM A SEPARATE POLITICAL PARTY.
 2. WE DO NOT BELIEVE THAT BLACKS AND OTHER MINORITIES HAVE THE POWER TO NEGOTIATE IN THEIR BEST INTEREST WHEN THEIR VOTE IS A PREDICTABLE FACT.
 3. WE DO NOT BELIEVE THAT BLACKS OR MINORITIES CAN BY THEMSELVES SOLVE THEIR PROBLEMS.
 4. WE DO NOT BELIEVE THAT WHITE PEOPLE CAN BY THEMSELVES SOLVE THEIR PROBLEMS.
 5. WE DO NOT BELIEVE THAT A CONSERVATIVE VIEW IS NECESSARILY A RACIST VIEW.
 6. WE DO NOT BELIEVE THAT ALL WHITE PEOPLE ARE THE SAME IN THEIR ACTS OR PHILOSOPHY.
 7. WE DO NOT BELIEVE THAT CONSOLIDATION IS NECESSARILY UNITY.
 8. WE DO NOT BELIEVE IN CREATING AN ALL-WHITE POLITICAL PARTY BY OUR INACTION.
 9. WE DO NOT BELIEVE THAT FREEDOM CAN BE ACHIEVED WITHOUT THE ACCEPTANCE OF RESPONSIBILITY.
 10. WE DO NOT BELIEVE THAT THE ACCEPTANCE OF HANDOUTS OR DOLES BY BLACKS AND MINORITIES CREATE RESPECT IN THE MINDS OF THOSE WHO PASS OUT DOLES.
 11. WE DO NOT BELIEVE THAT "BLACK ECONOMIC POWER" IS CONTRARY TO THE AMERICAN ETHIC.
 12. WE DO NOT BELIEVE THAT ALL BLACK OR ALL WHITE IS ALWAYS BEAUTIFUL. BOTH CAN BE UGLY AT TIMES.

BUSINESS OFFICE: POST OFFICE BOX 128, SOUL CITY, N.C. 27553 (919) 456-3111

WHAT THE NATIONAL COMMITTEE FOR A TWO-PARTY SYSTEM, INC.
DOES NOT BELIEVE continued--

May 16, 1973

Page 2

13. WE DO NOT BELIEVE THAT POWER CAN EVER BE ACQUIRED WITHOUT AN ACCEPTANCE OF RESPONSIBILITY.
14. WE DO NOT BELIEVE THAT THE AMERICAN CAPITALIST SYSTEM IS INHERENTLY EVIL AND CANNOT CHANGE BY LAWFUL MEANS.
15. WE DO NOT BELIEVE THAT BLACKS AND OTHER MINORITIES SHOULD DENY THEIR SELF INTEREST AND AMBITION. MOTIVATION SHOULD BE ENCOURAGED AND REWARDED.
16. WE DO NOT BELIEVE THAT ANY PERSON SHOULD BE DENIED ADMISSION IN THE NATIONAL COMMITTEE FOR A TWO-PARTY SYSTEM, INC.
17. WE DO NOT BELIEVE THAT BLACKS SHOULD DEPEND UPON ONE FEDERAL AGENCY TO SUPPORT THEIR ADVANCEMENT, BUT SHOULD SEEK, AS OTHER CITIZENS, FULL UTILIZATION OF ALL FEDERAL AGENCIES.

The Montgomery Advertiser

And

ALABAMA JOURNAL

Montgomery, Ala.

Sunday Morning May 13, 1973

Blacks Urged to Find New Community Funding

By RAY JENKINS
Editor, Journal Editorial Page
TUSKEGEE — Top elected black officials declared here Saturday that blacks should stop bemoaning the impending dismantling of the federal poverty program and look to other governmental sources to fund essential community projects.

"The OEO (Office of Economic Opportunity) is a dead horse," said Floyd McKissick, former national director of the Congress of Racial Equality and an organizer of Soul City in North Carolina. "So we might as well stop whipping it and look for alternative sources of federal money."

McKissick made his observations at ceremonies establishing the first local chapter of the National Committee for a Two-Party System. McKissick is

Republican co-chairman of the organization and Mayor Johnny Ford of Tuskegee is Democratic co-chairman.

McKissick said one goal of the bi-partisan organization would be to prepare a research paper which would enable newly elected black public officials to tap "the many pockets of funds available in the various agencies in Washington."

He warned blacks "not to get hung up on the idea that profits

are bad, that we've got to have collectivism."

"Up to now, whites have been making all the profits and now they tell us it is bad. They're telling us now to live by the New Testament when they've been living by the Old Testament."

"Politics and economics are one and the same," he said.

Mayor Charles Evers of Fayette, Miss., warned black officials "not to make the mis-

take of the whites, who served only one segment of the community. Of course," he added, "we do have some catching-up to do first."

But he said black officials ultimately should be measured by their accomplishments. "We were elected for one thing — to serve our community and make it better, and if we don't do that, then you ought to get us out of office."

(See Blacks, Page 2A)

Blacks

He said the time for mass action by blacks is over. "I went to jail 26 times," said the Mississippi civil rights leader. "But now I've got the key."

Ed Sexton, of the minority affairs staff of the National Republican Committee, cautioned that in every community, blacks should exert political pressure to "make sure that revenue sharing is not used exclusively to improve the quality of life in the suburbs, which is where the whites live."

Mayor Ford said the bi-partisan organization is designed "to serve as a mechanism to bring together black

Democrats, black Republicans, and blacks of whatever political persuasion, along with whites who want to tackle common problems through the political process."

He said that today's sophisticated politics leaves no place for "the nonsense of marching and demonstrating and burning."

"The name of the game," he said, "is money."

McKissick echoed these sentiments, saying that "rhetorical addresses on black power, separatism, pan-Africanism and the like don't mean anything to the unemployed man in the streets. He wants a job."

NAACP

NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

HOUSING
DEPARTMENT

HOUSING BULLETIN

SEVENTEEN NINETY BROADWAY, NEW YORK, NEW YORK 10019

(212) 245-2100

RECEIVED

MAY 21 1973

ROY WILKINS
Executive Director

WILLIAM B. MORRIS
Director of Housing Programs

April 1973

F.B. McKissick Enterprises, Inc.

THE IMPACT OF THE HOUSING FREEZE UPON BLACK AMERICA

ON JANUARY 5, 1973 MR. NIXON INDEFINITELY SUSPENDED ALL FINANCIAL ASSISTANCE TO URBAN HOUSING FOR THE POOR (SECTIONS 235 AND 236). HE TERMINATED PROGRAMS FOR OPEN SPACE, WATER AND SEWER AND NONPROFIT SPONSOR ASSISTANCE. ON JANUARY 8TH RURAL HOUSING PROGRAMS FOR FARM LABOR HOUSING, RENTAL AND COOPERATIVE HOUSING LOANS, WATER AND SEWER GRANTS AND ALL SUBSIDIZED RURAL HOUSING PROGRAMS EXCEPT SELF-HELP HOUSING WERE TERMINATED. THESE CUTBACKS WILL BE COMPLETED ON JUNE 30 WITH THE TERMINATION OR SUSPENSION OF PUBLIC HOUSING MODERNIZATION, MODEL CITIES, URBAN RENEWAL, NEIGHBORHOOD FACILITIES AND REHABILITATION LOANS.

THIS PAPER ADDRESSES ITSELF TO THE IMPACT THESE ACTIONS WILL HAVE UPON BLACK AMERICANS, THE POOR, AND OTHERS WHOSE RIGHT TO A DECENT HOME IN A SUITABLE ENVIRONMENT IS AT STAKE.

President Nixon's June 1971 "Statement of Federal Policies To Achieve Equal Housing Opportunities," stated that his administration is committed to "correct for the effects of past discrimination" and that "denial of equal housing opportunity to a person because of race is wrong, and will not be tolerated, whether practiced directly and overtly, or under cover of subterfuges, or through such practices as price and credit discrimination."

The subsidized housing programs, reinforced by HUD's Project Selection Criteria and other recently-issued equal opportunity regulations, have served to expand housing choices to lower-income families, increase business and job opportunities, and provide more economic benefits to black people than any other program in the history of federal housing activities. Through subsidized housing more blacks have managed to escape the confines of the ghettos than ever before! New black businesses have also been created and sustained as a result of these programs. A better quality of life, the nearness to better jobs in the suburbs, and improvements in our inner cities have taken place despite government mismanagement and exploitive use of these programs by speculators. Affirmative equal opportunity efforts by the housing industry (builders, lenders, brokers, etc.), though slow to start, have begun to take hold.

Subsidized housing starts hit an all-time high in 1971 with 388,526 units. Optimistic estimates for 1973 forecast a drop in production to 275,900 units and less than 240,000 units in 1974. The Nixon Administration's boastful prediction of 300,000 units for this year is far short of the nation's need for 600,000 subsidized homes per year as established in the 1968 Housing Act.

Further, the cutback of nearly 2,000 HUD personnel, nearly 1,500 in housing production jobs alone, does not indicate that the Nixon projections can be achieved. Of greater importance is, because of civil service rules, the reassignment of older, insensitive and sometimes bigoted FHA officials to equal opportunity jobs — bumping HUD's young crop of recently hired and dedicated blacks and whites (last hired — first fired).

What happens to the black lawyer, the architect, the mortgage banker, the consultant and black sponsors? Few are equipped to compete in the unsubsidized housing field; few have the financial staying power to hold on during a moratorium, no matter how brief; few will survive! The public commitments of HUD Secretary Lynn and the President to promote minority-enterprise do not square with the permanent damage the freeze will cause to black business. The sudden cutback of funds without a concurrent replacement with new programs is a civil rights oversight of the first order. Where the housing and economic needs of poor blacks are concerned and where the growth and development of minority enterprise is at stake, equal opportunities in housing has largely been ignored.

UNEQUAL SOCIETIES

A 1972 HUD report entitled "*Blacks Pay More*" confirms what we have always known; that blacks pay a higher price for their housing than do whites. The 1970 Census statistics reveal that blacks occupy a disproportionate amount of housing classified as substandard, deteriorating or dilapidated. Nationally, black income is 61% of white income.

During the period 1960-1970 the black population in urban centers increased by 2.7 million while the white count decreased 2.1 million. At the same time nearly 85% of new industrial plant locations took place in predominantly white suburban areas, far removed from the inner city. *The percentage of the nation's population in the cities dropped to 30% while the suburbs rose to 33% thus shifting the nation's balance of wealth and power, and furthering racial separation.* One-half of the nation's blacks are now concentrated in fifty metropolitan areas, and third in just 15 cities; two-thirds of all blacks now live in predominantly black census tracts. Sixteen cities over 25,000 contain black majorities.

THE ECONOMIC LOSS

The potential loss in Section 235 and 236 housing could conceivably reach 660,000 units in urban areas and 100,000 subsidized homes in rural areas—a loss estimated at \$28.5 billion in expenditures and 3 million man years of employment.

The Nixon budget for fiscal year 1974 (July 1, 1973 to June 30, 1974) proposes to eliminate over 50% of the present funds for manpower training; it would terminate public employment programs so that there will be 180,000 fewer jobs for those in need (including Vietnam veterans); it proposes no monies for summer youth programs which provided 740,000 jobs in 1972.

All of this is in addition to the countless jobs which will be lost because of cutbacks on new housing and community development programs. The shortage of low-income housing means that blacks pay even more of their less-than-equal income as demand exceeds the supply and building costs continue to rise.

To the nation's 22.3 million blacks who account for about 11% of the population, their 1% share of the economic benefits now derived from housing production is a crushing blow—the loss of which we cannot afford, nor is it likely that it will ever be recovered.

THE NEW FEDERALISM?

The incidence of housing segregation continues to increase. Predictably the flight of whites to the suburbs and migration of blacks to the cities is greatly adding to residential segregation. *The effect upon blacks is further aggravated by the Nixon Administration's "New Federalism" drive to transfer more federal funds and authority to state and local governments through general and special revenue sharing programs; programs that do not require the expansion of housing choice and opportunity; programs that lessen (rather than increase) citizen participation and minority representation in the decision-making process.* State governments have, in past history, failed to discharge their lawful responsibilities of protecting black rights and furthering racial progress. There is little reason to believe they will do any better now.

Few would agree that this "New Federalism" is aimed at helping the nation's poor and minorities. All evidence today supports the fact that a great percentage of crime is bred in slums and blight, in poverty and unemployment and poor education. It is bred in inner cities and rural areas where blacks are losing faith in the system; where opportunity no longer exists. If they really want better communities with safe streets and secure homes, the best way to do it is to improve our homes and home life, and our neighborhoods—to provide quality education and jobs.

WHERE DO WE GO FROM HERE

The proposed Nixon Administration strategy to fold urban renewal, model cities and other programs (they're being cut-off June 30, 1973) into special revenue sharing for community development (with no funding until July 1974), leaves a one year halt in the momentum of these programs. It means the jobs

blacks now hold will be lost, many never to be recaptured. It means minority-owned business and entrepreneurs will have to find other employment in areas not subject to the protection of equal opportunity requirements.

During this shuffle we also become faced with the President's recently proposed legislative package containing "The Better Communities Act," "The Responsive Governments Act," and a bill to create a broad-powered new federal Department of Community Development — the passage of which is highly speculative.

While the power-struggle between the Congress and the President continues, we must never forget who the real victims are. Aside from the white-dominated housing industry and the local redevelopment and housing officials, it is the poor, the black and other racial minorities who must wait, and wait, and wait, for a chance to obtain decent housing at prices they can afford — or a chance to move into America's mainstream as equals — to enjoy all the benefits of a single society.

The termination, suspension and cancellation of the subsidized housing and community development programs has caused incalculable harm to black America. The cause of equal housing opportunity and minority economic growth has received an irrecoverable setback by the cutback!

If this is the way Mr. Nixon is "correcting for the effects of past discrimination" let us be spared more of the same. The question we must now face is whether those who have so much to lose will exercise their rights and demand a voice in shaping the new programs now being put together? If not we will again be on the outside, looking in and reacting after the fact!

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DATE: April 20, 1973
REPLY TO
ATTN OF:
SUBJECT: Soul City - Status Report

• Mr. O'Neill

Background

The Soul City Project received a conditional guarantee commitment for \$14 million in June 1972. This would be the first, and only, free-standing new community (i.e., a completely new growth center outside of any metropolitan area). At that time, HUD identified five conditions for commitment:

1. Satisfactory debt restructure of McKissick Enterprises
2. Satisfactory industrial development marketing strategy
3. Revised phasing plan (from 20 years to 30 years project)
4. Requirement for approvals from all local government agencies
5. Evidence of satisfactory utility financing.

To date, McKissick Enterprises has satisfied two conditions--numbers 2 and 3, and partially satisfied #1, #4, and #5. HUD staff estimates that it will take at least two months before the project could come to closing (i.e., firm commitment).

Current Federal Assistance

It is significant to note that the two month estimate assumes the availability of immediate Federal assistance from several agencies: (a) a HUD Water and sewer grant in order to satisfy the requirement for utility financing (this project is in Group C in HUD's earlier appeal to OMB); (b) one or more grants from the Office of Minority Business Enterprises (OMBE) to support the kinds of legal and technical staff needed to manage a project of this scale; and (c) a health center grant from OEO. The project has already received Federal assistance from the following, totalling over \$1 million:

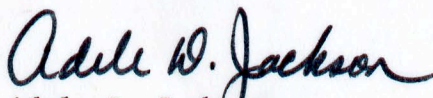
1. OEO - \$1.1 million grant in FY 1971 to plan for a health center. OEO has programmed an additional \$1 million in 1974 for services.
2. OMBE - \$257 thousand in FY 1973 (contract expires May 30, 1973) for technical assistance to develop an industrial marketing strategy. Soul City is requesting an additional \$1 million in FY 1974 to continue these activities. OMBE staff will probably recommend \$190 thousand.

3. HUD - A \$420 thousand 701 Planning Assistance grant to the local regional planning commission to carry out some of the preliminary planning.
4. HUD New Communities staff - Development of the cash flow projections for the project.

In general, the project is dependent on the availability of Federal assistance to come to the stage of firm commitment, as well as to achieve the long term economic viability of the project. The Soul City project is among the first six new community projects that had Federal grants built into the cash flow projections. However, the situation here is more severe due to the initial lack of financial and management capability of the developer. In the words of a HUD staff person, "this is a poverty case" which is marginal at best and would require substantial assistance to be a success. A free-standing project is inherently risky and would be so even under the best of circumstances.

Considerations for a funding decision

The question of whether the project should receive a HUD water and sewer grant is really a part of the broader question of whether there is or should be a Federal commitment to carry out the project as a special demonstration. If the answer is yes, then a wide variety of funding is now and will be required. If not, neither the HUD grant nor the other grants under consideration (OEO and OMBE) should be provided. A decision to provide the assistance currently requested, without the broader commitment, will probably lead to a default situation in the not too distant future.


Adele D. Jackson

4610

THE WHITE HOUSE
WASHINGTON

April 11, 1973

MEMORANDUM FOR PAUL O'NEILL

SUBJECT: Soul City

Bill Han
Please give me a
status report as I can
discuss with Jan
on 4/23
Thurs
P

How soon will you be able to signal HUD that this project should move?

Would you be willing to meet with McKissick and me and Tom Dunn so we can get the whole thing squared away?

My only interest is to give McKissick a definite answer. It looks up to now as though it has been "yes" all along -- but if FY 1973 funds run out because processing time is shrinking, then we have done him a real disservice.



Leonard Garment

attachment

Brad Patterson

Mr. Leonard Garment
Special Consultant to the President
The White House
Washington, D. C. 20050

Dear Len:

In your memorandum of February 5, 1973, you request information as to the status of the Soul City New Community project and as to the next steps which should be taken by our office and the Developer to move the project along.

On June 28, 1972, the Developer was made an offer of commitment for a loan guarantee of \$14 million. There are a number of conditions which must be satisfied before the Developer can accept the offer.

The main conditions involve the negotiation of various debt financing agreements, as well as the equity investment of a proposed new partner, the attraction of the initial job base, and obtaining the necessary utility financing, all of which the Developer has to resolve to the satisfaction of HUD.

The Office of New Communities staff is working with the Developer on these matters. Progress is being made, especially in satisfying the utility financing condition. On February 14, a contract was signed between the Cities of Henderson, Oxford, and Soul City to construct a regional water system which will provide these towns, as well as other communities in the region, with abundant good water that is urgently needed. Additionally, the Economic Development Administration has agreed to take the lead in coordinating Federal assistance with HUD and has accepted an application to construct the water system. In the application, the proposed financing of the system, estimated to cost \$9 million, includes a \$1.5 million grant from the Economic Development Administration, a \$2.64 million water and sewer grant from HUD, a \$360,000 supplementary grant from HUD, \$2.8 million in general obligation bonds from Henderson and Oxford, and \$1.7 million in State of North Carolina Pure Water bonds. The water system will move forward when the proposed financing becomes available.

EDA is committed to assisting the project. It is exploring specific methods by which its participation can be effected, but has no doubt that a satisfactory method will be developed. EDA's commitment is, of course, contingent upon the completion of a satisfactory environmental impact analysis.

Approval of the HUD water and sewer grant is currently pending further negotiations between HUD and the Office of Management and Budget. Recently, the OMB has indicated it will postpone a decision on some categories of projects, which include the Soul City project, pending receipt of proposals from HUD as to its plans for subsidized housing in new communities. HUD will continue to pursue the completion of the Soul City project and keep you advised of our progress when we have something more definite to report.

Finally, we also will need to complete with the Developer our negotiations of a project agreement and trust indenture and present these documents to the Board of Directors of the New Community Development Corporation for their views and final approval.

Sincerely yours,

James T. Lynn

BCC: Honorable Frederick B. Dent ✓
Department of Commerce

April 20, 1973

Soul City - Status Report

Mr. O'Neill

Background

The Soul City Project received a conditional guarantee commitment for \$14 million in June 1972. This would be the first, and only, free-standing new community (i.e., a completely new growth center outside of any metropolitan area). At that time, HUD identified five conditions for commitment:

1. Satisfactory debt restructure of McKissick Enterprises
2. Satisfactory industrial development marketing strategy
3. Revised phasing plan (from 20 years to 30 years project)
4. Requirement for approvals from all local government agencies
5. Evidence of satisfactory utility financing.

To date, McKissick Enterprises has satisfied two conditions--numbers 2 and 3, and partially satisfied #1, #4, and #5. HUD staff estimates that it will take at least two months before the project could come to closing (i.e., firm commitment).

Current Federal Assistance

It is significant to note that the two month estimate assumes the availability of immediate Federal assistance from several agencies: (a) a HUD Water and sewer grant in order to satisfy the requirement for utility financing (this project is in Group C in HUD's earlier appeal to OMB); (b) one or more grants from the Office of Minority Business Enterprises (OMBE) to support the kinds of legal and technical staff needed to manage a project of this scale; and (c) a health center grant from OEO. The project has already received Federal assistance from the following, totalling over \$1 million:

1. OEO - \$1.1 million grant in FY 1971 to plan for a health center. OEO has programmed an additional \$1 million in 1974 for services.
2. OMBE - \$257 thousand in FY 1973 (contract expires May 30, 1973) for technical assistance to develop an industrial marketing strategy. Soul City is requesting an additional \$1 million in FY 1974 to continue these activities. OMBE staff will probably recommend \$190 thousand.

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Adele D. Jackson

~~74-76~~

~~Need 13 grants~~

New:
OMBE .274 (all but square)
+ 3 1.000
~~1.000~~

OEO .500 (all but square)
1.000

HUD 1.100 internal units
Scene

Term 1/5 Term 6/30 • 451 W&S
• 180 supp
• 500 Pub For hour
Term 1/5

$$\begin{array}{r}
 1.1 \\
 \hline
 \cancel{1.0} \\
 .257 \\
 \hline
 \cancel{.190} \quad 274 \\
 .420 \\
 \hline
 2.967
 \end{array}$$

$$\begin{array}{r}
 1.1 \\
 .257 \\
 \hline
 \cancel{.274} \\
 .420 \\
 \hline
 1.777
 \end{array}$$

$\$1.4 = \text{develop land}$

EDA 1.5
 HUD 3.0

THE WHITE HOUSE
WASHINGTON

May 1

~~Paul -~~

As per our telephone
conversation.

This is the whole Garment/BHP
file on Soul City; pls keep intact.

Brad

THE WHITE HOUSE

WASHINGTON

Atlanta R.O.
404 520 5585

Baxter

~~Ted Alexander~~

ASSISTANT DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET

Len Garment

The attached staff paper
gives a current status
report on the Soul
City project. Would
you like to discuss?

Paul Hein

THE WHITE HOUSE

WASHINGTON

P & N

We should not be in the
middle of this.

I asked a meeting.

Walt & Lewis leave —
do not need criteria

FDA - not know

THE WHITE HOUSE

WASHINGTON

April 11, 1973

MEMORANDUM FOR PAUL O'NEILL

SUBJECT: Soul City

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Leonard Garment

attachment

Brad Patterson

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Special Consultant to the President
The White House
Washington, D. C. 20050

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The main conditions involve the negotiation of various debt financing agreements, as well as the equity investment of a proposed new partner, the attraction of the initial job base, and obtaining the necessary utility financing, all of which the Developer has to resolve to the satisfaction of HUD.

The Office of New Communities staff is working with the Developer on these matters. Progress is being made, especially in satisfying the utility financing condition. On February 14, a contract was signed between the Cities of Henderson, Oxford, and Soul City to construct a regional water system which will provide these towns, as well as other communities in the region, with abundant good water that is urgently needed. Additionally, the Economic Development Administration has agreed to take the lead in coordinating Federal assistance with HUD and has accepted an application to construct the water system. In the application, the proposed financing of the system, estimated to cost \$9 million, includes a \$1.5 million grant from the Economic Development Administration, a \$2.64 million water and sewer grant from HUD, a \$360,000 supplementary grant from HUD, \$2.8 million in general obligation bonds from Henderson and Oxford, and \$1.7 million in State of North Carolina Pure Water bonds. The water system will move forward when the proposed financing becomes available.

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Sincerely yours,

James T. Lynn

BCC: Honorable Frederick B. Dent ✓
Department of Commerce

McKissick

3/26

HUD moving very
slowly. Need direction
from the top.

Applications have to be
processed -- FY '73 money.

Ted Hammond -755
6050

in Washington / HUD

Hyde

Committed 6/19/72

Approval for guaranty.

Shen SS would negotiate
for sale of bonds. have a ~~Western~~
Bank dragging too long.



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

APR 10 1973

Mr. Leonard Garment
Special Consultant to the President
The White House
Washington, D. C. 20050

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Sincerely yours,

James T. Lynn

James T. Lynn

*Tom Dunn - HUD
755-6238*

CONFERENCE NOTES FOR MEETING WITH:

Friday, March 30, 1973
11:45 a.m.

Mr. George Bush
Chairman
Republican National Committee
Dwight D. Eisenhower Republican Center
310 First Street, S.E.
Washington, D. C.

1. The establishment of a national program for bringing Blacks and other minorities into the Republican Party.
 - a. developing a public relations program geared towards the Black community.
 - b. the scheduling of major accomplishments as they relate to minorities on a monthly basis.
2. Making better use of the FIRST MONDAY periodical as it relates to minorities.
3. Developing position papers on the following:
 - a. major decisions being made by the President; for example, the reasons for dismantling OEO -- the dismantling of OEO affects far more poor whites than Blacks.
 - b. how the devaluation of the dollar helps poor people. No rationale or editorial comments behind the devaluation of the dollar have been presented as yet.
 - c. the impoundment of federal funds -- the right of the President to impound funds, and how in its last stages, all, benefit by the President carrying out a master program.
 - d. high cost of food and the poor farmer.
4. The National Committee for a Two-Party System, Inc.:
 - a. how it can be effectively used to reach the minority community.
 - b. developing a program and staffing.
 - c. the role it can play within the next two years in selective areas of the country.
 - d. Chapters now in formation -- North Carolina, Alabama, New York and Texas

- e. *coordinating the activities of the Two-Party System with the National and State Republican Parties as may be decided upon.*
- 5. *The Soul City Project as it relates to a model of economic development on a national scale and on an international scale.*
 - a. *The development of the African Exposition Trade and Industrial Park through Public Facilities bonds.*



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

March 28, 1973

Mr. Robert Thompson
Director
Community Planning & Management
Regional Office
U. S. Department of Housing and Urban
Development
Atlanta, Georgia

Dear Bob:

I enjoyed talking with you this morning. The delay by the HUD Office of New Communities Development in moving the Soul City project ahead does give us much concern as it relates to the following areas.

1. Land Acquisition: There is a feeling in HUD that we should not attempt to acquire the remainder of the 5,700 acres which we have not yet purchased. This is dangerous. They do not understand how business decisions are made. Land buying is not a unilateral matter. Land must be brought when the seller is willing to sell and at the price the buyer is willing to pay. Delays by HUD have been costly to us in this regard as well as the fact that our land acquisition program is at a standstill. Values are going up almost daily and will continue to soar after the sale of our bonds.
2. Financing: The HUD delay has caused us the inability to secure financing by our private lenders for land acquisition as they cannot anticipate (even after having conferred with Mr. Lamont and his staff) the date of our HUD closing. Their reluctance also limits us in staff development as they do not want to put out additional operating capital until there is a positive decision by HUD indicating in written form when the project will close.

On February 15 we could have acquired an additional 1000 acres at a price of \$300 per acre. That situation can now be forgotten.



Mr. Robert Thompson

March 29, 1973

3. Land Development Projects: There is now talk of four land development project in and around Soul City. I understand that some of these developers are seeking HUD financing. These projects could get off the ground if HUD finances them.

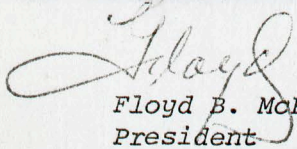
The major criticisms of this project from the HUD Office of New Communities Development have been

- (a) Industrial commitment, which we now have;
- (b) Water system, which we now have (we have developed, certainly, one of the first regional water systems in the South; and
- (c) Debt restructure, which we now have done.

We received our Offer of Commitment in June of 1972. It appears that it takes a year to close the Soul City project where others have been closed in shorter periods of time. Presently the State of North Carolina is giving us excellent cooperation and is proceeding with development of the major roads through Soul City including the industrial boulevard road. We have an industry waiting for us to build the industrial incubator building which they would occupy. We have OEO approval to commence construction of our health center. Yet, all these projects are delayed because we have not officially received a HUD closing date and our bonds have not been sold.

We would appreciate any assistance your good offices could give us in this matter. Delays and further delays are costing us approximately \$30,000 a month.

Very truly yours,


Floyd B. McKissick
President

FBM:jg

cc: Mr. Edward Lamont
Director HUD ONCD

LG FMI ✓
BHP



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

March 26, 1973

Mr. Brad Patterson
Special Assistant to Mr. Leonard Garment
The White House
1700 Pennsylvania Avenue, N.W.
Washington, D. C.

Dear Brad:

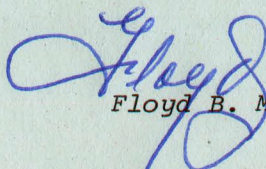
It was good talking with you by phone this afternoon.

Enclosed please find copy of my letter to Secretary James Lynn, dated February 20, 1973, to which I have not as yet received a reply. I would appreciate your continuing efforts in regard to HUD's slow and costly delays. My Assistant, Gordon R. Carey, is in Washington, D. C. now and can probably give you an up-to-date report on what is transpiring on a day to day basis. You may reach him during the day at Madison-Madison International (202) 785-1945; in the evening in Alexandria, Virginia -- (703) 683-6299.

It is my feeling that the staff is attempting to make policy for HUD and a clear-cut decision by a policy maker is needed. The administration is the duty of staff and not the policy.

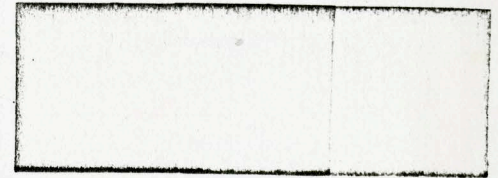
Please call if I can be of any assistance. Give my very best regards to Leonard Garment.

Yours very truly,


Floyd B. McKissick

Enclosure





FLOYD B.

McKISSICK ENTERPRISES, INC.

P. O. BOX 188

SOUL CITY, NORTH CAROLINA 27553

(919) 456-5811

February 20, 1973

The Honorable James Lynn
Secretary
U. S. Department of Housing & Urban
Development
Washington, D. C.

Dear Mr. Secretary:

I would like to request an appointment with you at your early convenience to discuss the Soul City project. This project is destined to be one of the most visible HUD projects in many years. I would like to have the opportunity to apprise you personally of our plans and progress.

It is of vital importance to the Administration and to the future residents of Soul City that this project be exceptionally successful in providing a superior place to live for some 50,000 persons. Equally important is the opportunity to utilize the new town approach in revitalizing an entire region currently classified as an economically depressed area. It is becoming increasingly clear that we will need your continued cooperation to bring this project to fruition. There appears to be lengthy and unnecessary delays in moving toward construction which are both frustrating and costly. I am hopeful that with some effort by your office we can begin to move the project forward again in a timely fashion. I look forward to hearing from you.

Very truly yours,

Floyd B. McKissick
President

FBM:jg



THE WHITE HOUSE

WASHINGTON

Cal Collier

6550

Brady

March 28, 1973

The Honorable James E. Lynn
Secretary
U. S. Department of Housing & Urban Development
Washington, D. C.

Re: Construction of Health Center in Soul City

Dear Mr. Secretary:

On July 1, 1972 HealthCo, Inc. received a grant from the Office of Economic Opportunity in the amount of more than one million dollars to construct a health center and initiate a comprehensive health services program for all of the people of Warren and Vance counties, including the new community of Soul City.

HealthCo was formed by the principals of Soul City but is an independent non-profit organization. On October 31, 1972 HealthCo contracted with Madison & McKissick Development Company to prepare a feasibility study for the health center, including preliminary working drawings, floor plans and so on. All of this work has now been completed and is to be formally approved by OEO prior to the end of this month.

We have just been informed verbally that the official OEO letter approving the feasibility study will prohibit us from beginning construction of the center until after the closing of the Soul City Bond Issue with HUD. This restriction can seriously jeopardize our program especially as our project will be transferred to HEW.

As we have proceeded in all good faith, assuming that the Soul City project would have been funded long before now, I am writing now to request that you suggest a date for the Soul City closing so that we may proceed to plan the development of our building. This health center will provide employment for more than fifty persons in our region and will be the most modern health facility in Warren County and the only ambulatory care center within the County.

The Honorable James E. Lynn

-2-

March 28, 1973

The planning of the Health Care Delivery Program has been in process for the last 20 months. We have reached that point in this process where facility construction is the next immediate step. All other elements of the program are now totally dependent upon completion of the facility which, in turn, is contingent upon Soul City closing the Bond Issue with HUD.

The Board of Directors, HealthCo staff, the Soul City community, and the health consumers in Vance and Warren counties look forward to your assistance at this critical developmental stage.

Very truly yours,

J. P. Green, M. D.
Chairman of the Board,
HealthCo, Inc.

JPG:gmg

cc Edward Lamont, HUD
Lorenzo Reid, Executive Director
Leonard Garment, White House ✓

PERSONAL

THE WHITE HOUSE

WASHINGTON

March 27, 1973

MEMORANDUM FOR COUNSELLOR JAMES T. LYNN

Reluctant as I am to bug my favorite Cabinet Member, I must ask you to get one of your staff to do something about my memorandum of last February 5 about Soul City, one of the new communities. Floyd McKissick maintains he has done everything HUD has asked of him -- and now his bankers are beginning to wonder if the government is ever going to deliver on a commitment made to him last June 19. He must be assured of FY 1973 money or a great deal goes down the tube.

Brad has needled Mr. Wilderoter but apparently without much success.

Leonard Garment

March 20, 1973

~~xxxxxxx~~ Subcommittee on Housing of the
House Banking and Currency Committee

"In addition, instructions will be issued shortly to honor the bona fide commitments as promised by Secretary Romney. The areas in which these commitments fall include:

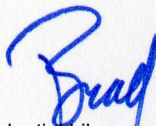
Project Rehab, Operation Breakthrough, State and Local Government Arrangements, Indian Housing, New Communities (commitments to assist certain new communities in developing low and moderate income housing), Disaster Areas, Urban Renewal, Housing for the Elderly."

THE WHITE HOUSE
WASHINGTON

March 26, 1973

LG:

After our meeting with McKissick
you wrote Dent and Lynn. ~~zDentxandaz~~--on
February 5. Dent responded, but Lynn
just hasn't come through. Now Floyd is
getting ~~xxxxx~~ quite concerned -- he
must get all those applications processed
by June 30. A note such as the attached
is now required.



PERSONAL

THE WHITE HOUSE

WASHINGTON

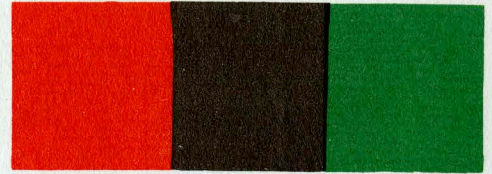
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P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

February 16, 1973

Mr. Leonard Garment
Special Consultant to the President
The White House
Washington, D. C.

Dear Mr. Garment:

It is with great pleasure that I am able to enclose a copy of the signed agreement between ourselves and our neighboring communities of Henderson and Oxford establishing our regional water system. This contract and agreement is a direct result of the labors of your staff, particularly Mr. Brad Patterson. Mr. Patterson has maintained contact with us almost on a daily basis and has expedited the funding of this project through HUD, EDA and the Governor's Office of the State of North Carolina.

All of the required applications and supporting documents needed to fund this regional water system at the required level of 9 million dollars (50% local participation and 50% federal) have been properly prepared and submitted to the appropriate agencies. EDA has set aside its contribution of \$1,500,000. EDA serves as the lead federal agency and is prepared to go into contract as soon as the necessary binding commitments are secured from the Department of Housing and Urban Development.

As we understand the current situation, HUD has requested clearance from the Office Management and Budget to make the three million dollar water grant to the City of Henderson. The City of Henderson is the applicant for all of the project funds, will hold title to all of the property and will be responsible for operation and maintenance of the system. The system will supply water to Henderson, Oxford and Soul City in sufficient amounts to support our new community project and the entire region. The project will move forward as soon as the grant funds become available from HUD.

Mr. Leonard Garment

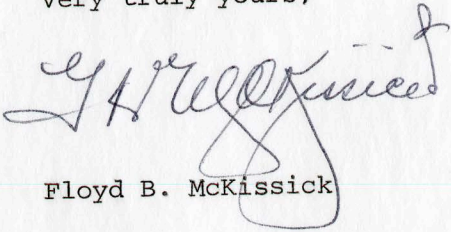
February 16, 1973

I want to again extend my thanks to you and Mr. Patterson for your assistance. This project will be the key to the continued industrial growth and development of our region.

We will keep you apprised of progress in the development of this regional water system and of the overall progress of the development of our new city. It would appear that HUD could move much more rapidly in finalizing our agreements for closing and thereby help to reduce our unnecessary and mounting expenses.

Again let me say many thanks. If there is anything I can do, please let me know.

Very truly yours,

A handwritten signature in dark ink, appearing to read "F. McKissick", with a large, stylized flourish extending from the bottom of the signature.

Floyd B. McKissick

Enclosure

THE WHITE HOUSE
WASHINGTON

Read

Floyd Mc Kissick

919-456-3111

Carey -

Mayor of Hudson &
CM of Oxford

EDA has "changed
ground rules"

Boyd Kase - EDA Atlanta
Designation as "Devel.
district" - needed?

10222 HUD
Wilderstor
755 7236
Pm

Outgoing
to
Lester
10/5/68
10/5/68
10/5/68
10/5/68

February 5, 1973

MEMORANDUM FOR

SECRETARY DENT
SECRETARY LYNN

SUBJECT: Soul City, North Carolina

I would appreciate it if you can confirm for me that this project is moving along. What are the next steps as you see them, and which are up to us and which to Mr. McKissick?

Leonard Garment

attachment



FLOYD B.
McKISSICK ENTERPRISES, INC.

P. O. BOX 188
SOUL CITY, NORTH CAROLINA 27553
(919) 456-5811

February 1, 1973

Mr. Brad Patterson
Executive Assistant to
Mr. Garment
The White House
Room 188 1/2
Washington, D. C. 20500

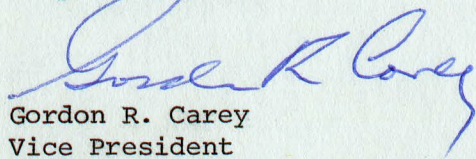
Dear Mr. Patterson:

I am writing as a follow up to the conversations between you and Floyd B. McKissick. Enclosed you will find copies of all of our recent correspondence with EDA and HUD. Please note particularly the correspondence from the Mayors of Henderson and Oxford endorsing Soul City's application for grant funds from EDA.

I have today spoken with our State EDA representative Mr. Dale Jones in regard to our application. I believe that the endorsement of the Mayors has effectively removed any EDA objections to the project as we have proposed it, providing, of course, that grant funds from HUD will be available to the City of Henderson.

We will be pleased to discuss this project with you at greater length as you so desire.

Very truly yours,



Gordon R. Carey
Vice President

GRC:jg
Enclosures



WARREN REGIONAL PLANNING CORPORATION

P. O. Box 158 • MANSON, NORTH CAROLINA 27553 • (919) 456-5811

January 29, 1973

Mr. Pat Choate
Director
Southeastern Region
Economic Development Administration
U. S. Department of Commerce
1401 Peachtree Street, N. E.
Atlanta, Georgia 30309

Dear Pat:

As you know we are making the final arrangements now for closing our land development loan guarantee with the HUD Office of New Communities Development. The regional water system as proposed by Henderson, Oxford and Soul City is a major component in our long range development plans. Furthermore as the regional system is essential for the continued growth and health of Henderson and Oxford you are no doubt aware that their water situation is becoming critical indeed.

At this point we have arrived at firm arrangements with these two neighboring municipalities as to how we can best proceed to pull together the funding for this 8 million dollar project. The applicant entity for the EDA portion of this regional project will be the Soul City Sanitary District (Warren County). From the attached schedule you can see clearly the way in which the funding of this project in conjunction with the HUD sponsored project for Henderson will provide a consistent regional plan.

On August 17, 1971 you wrote us indicating a commitment of 1.5 million dollars subject to certain conditions. On September 15, 1972 we in turn modified our proposal in such a fashion as to reduce the total amount of the funding package for Soul City to 3.5 million dollars. We have subsequently received all commitments from HUD necessary to fund this aspect of the project in its entirety. We would like to make arrangements now with your office to prepare the final application and other documents necessary to enter into binding contracts during this fiscal year.

Mr. Pat Choate

January 29, 1973

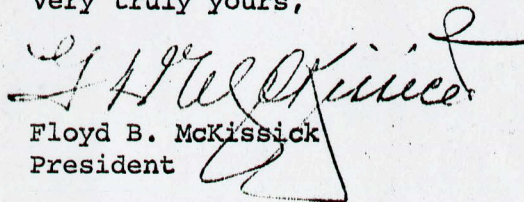
The City of Henderson on behalf of Oxford and the region is simultaneously applying for a 2 million dollar grant from HUD to support its portion of the regional system. In addition, Henderson is prepared to float general obligation bonds in the amount of 2 million dollars and the City of Oxford in the amount of \$800,000. We can be assured of at least \$500,000 participation from the State of North Carolina.

As indicated, funding for our portion of the project will go to the Sanitary District now being formed in Warren County by Soul City. The Sanitary District can be completed within a period of 60 to 90 days. It is our understanding from Mr. Oxley and from EDA officials in Washington that the de-designation of Warren County will not constitute a problem in the funding of this already committed project.

Following our last meeting with Mr. Oxley and your staff in Atlanta we have been to Washington several times in conjunction with Henderson and Oxford and have been greatly encouraged by Assistant Secretary Floyd Hyde's office regarding the proposed grant to Henderson.

I look forward to hearing from you right away so that we can get moving again. Thank you ever so much for your cooperation.

Very truly yours,


Floyd B. McKissick
President

FBM:jg

cc: George Karras
Washington, D. C.

W. W. Blount, Jr.
Washington, D. C.

Secretary Frederick B. Dent
Washington, D. C.

Enclosure: Funding Schedule

PROPOSED FUNDING FOR REGIONAL WATER SYSTEM
(in millions of \$)

SOUL CITY SANITARY DISTRICT
(applicant)

\$ 1.5 EDA Grant

.5 HUD Grant

.5 HUD Public Facilities
Loan

.7 ONCD Grant

.3 Soul City Company

3.5 Total Funding

- 1.0 Less Sewer Portion

\$ 2.5

THE CITY OF HENDERSON
(applicant)

REGIONAL UTILITY
(beneficiary)

\$ 2.0 HUD Grant

2.0 Henderson GOB

.8 Oxford GOB

.5 State of N. C.

\$ 5.3 Total Funding

\$ 2.5

5.3

\$ 7.8



CITY OF HENDERSON
NORTH CAROLINA

January 29, 1973

OFFICE OF
CITY MANAGER

Mr. Don Patch
Special Assistant to
Assistant Secretary Floyd Hyde
U. S. Department of Housing & Urban Development
451 Seventh & D Streets, N. W.
Washington, D. C.

Dear Mr. Patch:

On behalf of Henderson, Oxford and Soul City I want to express our appreciation for the kind reception we received from you and members of your staff in Washington. At our meeting you indicated that you would be back in touch with us shortly in regard to the extent of funding that could be made available to the City of Henderson to support our regional water system.

I am writing now to formally request and urge that the U. S. Department of Housing and Urban Development make a grant to the City of Henderson in the amount of two million five hundred thousand dollars. This grant is desperately needed if we are to be in a position to begin our regional system which is so important to the thousands of residents of Henderson and Oxford and, of course, to the growth of the proposed new community of Soul City located in neighboring Warren County.

I want to assure you that all three of the sponsoring communities are in complete concurrence as to how we should proceed and that we have developed a truly cooperative atmosphere.

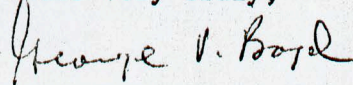
Mr. Don Patch

January 29, 1973

In addition to the requested two million five hundred thousand dollar grant to Henderson and Oxford, a Sanitary District sponsored by Soul City will, we understand, be receiving funding in the amount of 3.5 million dollars. 2.5 million dollars of this amount will be utilized in its entirety to build Soul City's portion of the regional system. The City of Henderson is prepared to float two million dollars in general obligation bonds and the City of Oxford \$800,000. We are assured of State participation for at least \$500,000 from the proceeds of the State-wide Clean Water Bond Issue. A summary of the proposed funding arrangements are indicated on the enclosed schedule.

The support indicated above will provide 8.3 million dollars to support this first stage of our regional system. All of the other funding components are believed to be quite secure at this time. The only portion of the project which has not been committed is the subject grant from your office. Before we can proceed further we must have some clarification as to the amount and timing of HUD's support. It would be greatly appreciated if we could hear from you at your earliest opportunity.

Yours very truly,



Mayor George V. Boyd
Henderson

cc: Greensboro Area HUD
Atlanta Regional Office

Assistant Secretary Samuel C. Jackson
Secretary of HUD, James Lynn

PROPOSED FUNDING FOR REGIONAL WATER SYSTEM
(in millions of \$)

SOUL CITY SANITARY DISTRICT
(applicant)

\$ 1.5 EDA Grant

.5 HUD Grant

.5 HUD Public Facilities
Loan

.7 ONCD Grant

.3 Soul City Company

3.5 Total Funding

- 1.0 Less Sewer Portion

\$ 2.5

THE CITY OF HENDERSON
(applicant)

\$ 2.5 HUD Grant

2.0 Henderson GOB

.8 Oxford GOB

.5 State of N. C.

\$ 5.8 Total Funding

REGIONAL UTILITY
(beneficiary)

\$ 2.5

5.8

\$ 8.3

CITY OF OXFORD

Oxford, North Carolina 27565

January 25, 1973

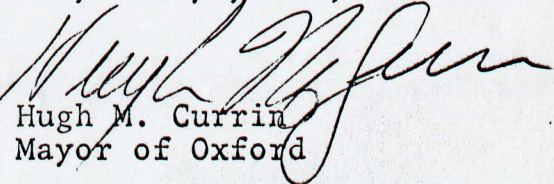
Mr. Don Patch
Special Assistant to
Assistant Secretary Floyd Hyde
U. S. Department of Housing & Urban Development
451 Seventh & D Streets
Washington, D. C.

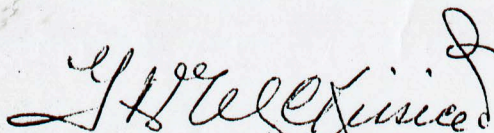
Dear Mr. Patch:

By this letter we are indicating our strong endorsement and support for the application to your office for a two million dollar water grant to the City of Henderson. The proceeds of this grant are to be used to assist in building the Henderson and Oxford portions of the regional water system being planned and developed jointly with Soul City.

We would like to urge your action on this matter and with Mayor Boyd stress the crucial importance of this action. Our proposal is unique in the development of regional approaches to water. It is fully consistent with State and regional planning and can ultimately serve at least four counties, numerous municipalities and, of course, a HUD sponsored new community.

Very truly yours,


Hugh M. Currin
Mayor of Oxford



Floyd B. McKissick
President, McKissick Enterprises, Inc.

cc: Greensboro Area HUD
Atlanta Regional Office
Assistant Secretary Samuel C. Jackson
Secretary of HUD, James Lynn

CITY OF OXFORD

Oxford, North Carolina 27565

January 25, 1973

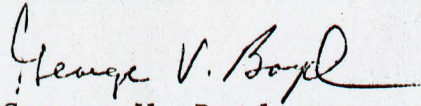
Mr. Pat Choate, Director
Southeastern Region Economic
Development Administration
U. S. Department of Commerce
1401 Peachtree Street, N. E.
Atlanta, Georgia 30309

Dear Mr. Choate:

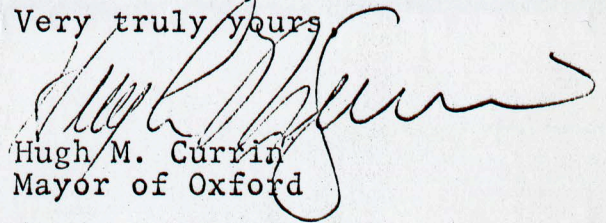
On behalf of our respective communities we want to take this opportunity to let you know that we have reviewed Mr. McKissick's letter of this same date addressed to you and concur that this is the direction in which we should move. By this letter we are indicating our full support and concurrence with the application from the Sanitary District in Warren County. The City of Henderson will make appropriate arrangements with the Sanitary District to provide for an orderly and coordinated construction program.

We are indeed encouraged by the response from HUD and we have been promised that we should be told the extent of the HUD funding for this project very shortly.

This joint regional water system is of great importance not only to our two cities but also to the entire region. We hope and trust that it can now move forward with speed and cooperation.


George V. Boyd
Mayor of Henderson

Very truly yours


Hugh M. Currin
Mayor of Oxford

HMC:kp

cc: George Karras, Robert Podesta, Secretary of Commerce

STATE OF NORTH CAROLINA
COUNTY OF VANCE

)
:
)

AGREEMENT

THIS AGREEMENT, made and entered into this the 14TH day of February, 1973 by and among the City of Henderson (a municipal corporation organized under the laws of the State of North Carolina and situate in Vance County, North Carolina), hereinafter referred to as "Henderson", the City of Oxford (a municipal corporation organized under the laws of the State of North Carolina and situate in Granville County, North Carolina), hereinafter referred to as "Oxford", and Floyd B. McKissick Enterprises, Inc. (a corporation organized under the laws of the State of New York and domesticated in the State of North Carolina with its principal office in Warren County, North Carolina, the developer of the new community of "Soul City" being developed under Title VII of the 1970 Housing and Urban Development Act, and acting as Agent for "Soul City Sanitary District" now being organized), hereinafter referred to as "Enterprises".

WITNESSETH:

WHEREAS, the Cities of Henderson and Oxford (and the areas surrounding said cities in Vance and Granville Counties) and the area in and near Warren County to be served by the Enterprises are all in need of additional water supplies, and

WHEREAS, said areas are all in relatively close proximity with each other, extending along Interstate Highway #85 and within a short distance of John H. Kerr Reservoir, and

WHEREAS, although John H. Kerr Reservoir ("Kerr Lake") was constructed approximately 20 years ago and has approximately 800 miles of shoreline, it is not used by any towns or cities in North Carolina as a source of water and the supply of water available in the lake in this area can easily fulfill all of the foreseeable water

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HENDERSON, N. C.

needs of the region in the future and can be readily treated for drinking purposes, and

WHEREAS, it is in the best interest of the parties hereto and of the persons residing in the aforesaid areas that a regional water supply system be established, and

WHEREAS, said regional water supply system would consist of a raw water intake structure located on Kerr Lake, a water treatment plant, elevated water storage facilities, finished water pumping facilities, and finished water transmission mains to Henderson, Oxford, and the area served by the Enterprises. The total cost of said regional water supply system is estimated at 9.0 million dollars, and

WHEREAS, the regional water supply system is being financed by grants of monies from the Economic Development Administration and the Department of Housing and Urban Development, Agencies of the United States Government, and grants of monies from the State of North Carolina with the balance of the project being financed by Henderson, Oxford and the Enterprises, and

WHEREAS, the grants of the above Agencies of the United States Government is contemplated to be 50% of the total project cost or approximately \$4,500,000.00, a portion of which is through the Office of New Communities Development, and

WHEREAS, the parties hereto desire to put into writing their agreement, the same being conditioned upon the availability of all funds before the acquisition of any land or rights of way or the awarding of any contracts relative to the construction of said system.

NOW, THEREFORE, for and in consideration of the mutual promises and agreements herein set forth and the reliance to be placed by each party on the performance by the others, the parties

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HENDERSON, N. C.

hereto, each with each other, agree as follows:

- (1) Although Henderson is to be the "guiding force" and lead agency relative to the proposed regional water system, Oxford and the Enterprises have and shall continue to have certain vested rights and interests in the system and its facilities, as set forth in this agreement, by virtue of their investments in the same.
- (2) The City of Henderson is to make applications for Federal grants from the Economic Development Administration and the Department of Housing and Urban Development and applications for grants from the State of North Carolina and/or any other sources which may be suggested and feasible; the other parties hereto agree to assist Henderson in any feasible manner relative to said grants and the applications for the same.
- (3) Any funds received by any of the parties by reason of any grant for the initial construction of the regional water system, or through financing or other funding relative thereto, shall be paid to Henderson to be held in separate escrow accounts and to be spent only for said system.
- (4) In the event that the applications for grants are received with sufficient encouragement so that it appears likely that sufficient funds will be derived from grant sources to make the project feasible, Henderson and Oxford agree to then initiate proceedings towards the issuance of any bonds which said parties may deem appropriate towards financing their respective shares of the balance project cost.

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HENDERSON, N. C.

- (5) In the event the project becomes economically unfeasible

(because of insufficient grant funds, rising construction costs, or the inability of any party to raise its share of the balance project costs through no fault of said party [e.g., a vote defeating its bond issue], etc.), so that there is no award of any construction contract, then this agreement shall terminate and the parties shall be under no further obligation to each other; provided, however, that Oxford and Enterprises shall each immediately reimburse Henderson 1/5 of any engineering, legal, or extraordinary expenses for items which have been approved by the parties, which Henderson may have incurred under this contract prior to its termination.

- (6) The proposed budget of 9 million dollars is contemplated to be financed by:

Economic Development Administration Grant	\$1,500,000.00
Housing and Urban Development (Office of New Communities) Supplementary Grant	500,000.00
Housing and Urban Development (to support the new community of Soul City)	2,500,000.00
N. C. State Grants ("Clean Water" bond funds)	1,700,000.00
Henderson	2,000,000.00
Oxford	800,000.00
	<u>\$9,000,000.00</u>

In the event the total project costs exceed the monies available from the above sources (including the amounts indicated for Henderson and Oxford), then the overrun shall be paid and deposited by the parties as follows:

- (a) Henderson ----- 60%
 (b) Oxford ----- 20%
 (c) Enterprises ----- 20%

In the event the total project costs shall be less than the monies available from the sources above, then the parties' shares set forth in the budget above shall be reduced proportionately, in the total amount of the underrun.

Henderson and Oxford shall be responsible for all interim financing needed on a prorata basis.

- (7) The final plans, specifications and design of the project shall be approved by all of the parties hereto. Thereafter, no charges in the scope of the project can be made without full concurrence of all the parties; provided that this does not affect reasonable field change orders.
- (8) After all of the project funds have been committed to the satisfaction of Henderson, Henderson shall then proceed with the authorization of the final design of the system and the acquisition of any land and easements needed and with the advertising and awarding of the construction contracts relative to the project. The other parties agree to assist Henderson in any feasible manner, and especially in the acquisition and/or condemnation of land or rights of way.
- (9) The title to any land or rights of way acquired and any and all facilities located thereon shall thereafter be vested in Henderson, and held by Henderson for the use and benefit of the parties hereto and subject to the contractual interests of the parties hereto. It is agreed that any party may assign its interest to any successor water supplier to its respective area only upon the condition that said assignee shall assume all of the assignor's obligations hereunder and be bound by the terms of this agreement. It is expressly agreed that Enterprises is to actively seek the immediate formation of a Sanitary District in the area in which it operates and to forthwith assign its interest to said Sanitary District which

would assume the obligations of Enterprises hereunder.

It is the intent of the parties hereto that said system shall in the future be transferred to a Regional Water Authority, as provided in Articles 1 and 2 of Chapter 162A of the General Statutes of North Carolina ^{or otherwise,} to be formed in the future by all of the parties, with such duties, powers, authorities, and functions as may be agreed upon between the parties, subject to the conditions of the General Statutes of North Carolina.

- (10) Upon the completion of the construction of the water system, the same shall be maintained and operated by the City of Henderson; provided, however, that the costs of any maintenance shall be added to the "cost of production" of the water; provided further that the parties hereto shall assist Henderson in the inspections of their respective transmission mains.
- (11) It is agreed that all water being treated, the water entering the transmission line to Enterprises, and the water entering the transmission line to Oxford shall each be accurately metered. Oxford and Enterprises ("Soul City") each agree to purchase from Henderson all water metered into their respective transmission lines. Although quantities may vary on a daily basis, Oxford and Enterprises each agree to pay for a minimum average of one million gallons per day each week, commencing upon said treatment plant being placed in operation; provided, however, that relative to any portion of said one million gallons per day that does not pass through the respective meter, the actual cost of production (as defined below) for said respective party shall not include the expense of power, chemicals, or other costs that vary with the amount of water produced.

It is understood that Henderson is not engaging in the sale of water to the other parties to this agreement for a profit. The parties shall pay Henderson, within 15 days of billing, for said water on the basis of the actual cost of production (including chemicals, utilities, salaries of personnel, audits, etc.). While "cost of production" shall not include amortization of the initial cost of the system, it shall include provisions for any reasonable reserves for repairs to and maintenance of the system, and for other reasonable contingencies relative to the system, and for amortization or reasonable rental of any equipment, vehicles, etc. purchased or used by Henderson, and reasonable payments to personnel by Henderson, relative to performing any obligations for the joint benefit of the parties to this agreement. For purposes of ascertaining "cost of production", Henderson shall be charged with a minimum average of three million gallons per day, and Oxford and Enterprises with a minimum average of one million gallons per day (as set forth in the preceding paragraph).

Nothing herein withstanding, Henderson shall have the right to discontinue service to any party hereto who does not pay any funds owing to Henderson under the terms of this contract and fails to remedy said breach within 15 days after notice of intent to discontinue said service.

(12) The respective parties hereto shall have the right at any time to purchase without any cost other than set out herein, the following percentages of the then total treated water capacity of the original plant:

- (a) Henderson ----- 60%
- (b) Oxford ----- 20%
- (c) Enterprises ----- 20%

Provided, however, that in the event of any temporary curtailment of capacity (that is one which is not expected to exceed 30 days duration), each party shall have the right to purchase the same percentage of the curtailed treated water capacity of the original plant that said respective party actually used during the 90 day period preceding said curtailment.

The allocation of water relative to the original plant shall not be changed except by mutual agreements reached by negotiations with all the parties.

In the event any party wishes to transfer part of its allocation, it shall offer the same to both of the other parties on the same terms. The other parties shall each have the right to purchase its prorata part (on the 60-20-20 basis hereinbefore referred to) of said allocation offered; provided that if either party does not so purchase its prorata share within 30 days, the other purchaser may purchase said share within 30 days thereafter upon the terms proposed. Nothing herein shall prevent the withdrawal of any offer (or portion of the same) prior to its acceptance, however.

In the event any party needs water over and above its original allocation, it shall have the right to expand the treatment plant (and any other facilities necessary for the delivery of such additional water) at its own expense, provided it does not act to the detriment of any of the other parties; its allocation of water available for purchase shall thereafter be increased by the amount of additional treated water which can be delivered to it by reason of said expansion.

- (13) The water flowing through each main shall be controlled by the party then being metered for the same and in all cases

said party shall determine policies for allowing other persons, firms, or corporations to tap said main for water service at said place (provided that no party shall take any action which would prevent any other party to this agreement from obtaining its fair share of the water being treated). The fact that the main may be situated in another County or jurisdiction shall not affect the right of the controlling party to make such policy and decisions as it deems proper. It is understood that no party hereto has any obligation to serve any persons, firms, or corporations (except as otherwise may be provided by law and this agreement).

It is understood and agreed that the parties hereto each have the right to resell the water allocated and delivered to it at such rates, fees, charges, penalties, and/or varying schedules as said party may individually determine.

(14) Henderson shall not be liable or accountable for any failure to treat and/or deliver water, or otherwise perform this contract, in the event such failure is due to acts of God, strikes, power failure, line breaks, system repairs, catastrophes, or other causes beyond the control of the City of Henderson, its agents and employees. Henderson shall give all parties reasonable notice of any interruptions which might be reasonably anticipated.

(15) Henderson shall maintain a separate regional water system account and all revenues and disbursements relative to said system (and no other revenue or disbursements) shall be deposited to and disbursed from said account. An independent auditing firm, reasonably acceptable to all parties, will audit the accounts and expenses of the operation of the regional water system no less than once each year. Sufficient copies of the

audit will be made available to provide one for each member of the City Council, or other governing agency or board of each of the parties hereto. Henderson shall further render to each party an operating statement each month.

- (16) The basic premise of this agreement is that all interpretations hereof and decisions hereunder relative to the regional water system shall be fair and equitable, with due regard being given to each participating party according to their respective vested rights that they have in the system in the following ratio:

(a) Henderson -----	60
(b) Oxford -----	20
(c) Enterprises -----	20

- (17) It is agreed that other governmental units or agencies shall have the right to purchase water directly from the regional water system upon the consent of all of the parties hereto and upon such terms and conditions as may be determined by the parties.

- (18) This agreement shall exist and continue for a period of 40 years from the date hereof, and thereafter may be renewed or extended for such term, or terms, as may be mutually agreeable; it shall be binding during its term and all extensions and renewals hereof, on the parties hereto (and their successors in title and assigns, pursuant to the terms of paragraph 9). This agreement may be amended only with the written consent of all the parties hereto (or their assigns).

- (19) This contract shall be construed under the laws of the State of North Carolina.

- (20) The parties to this agreement have executed Forms #ED-503

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HENDERSON, N. C.

and/or ED-503(a), forbidding the discrimination in the hiring

or firing of employees, and the parties agree not to engage in any discriminatory conduct prohibited by said Form or the statutes set forth therein, and further bind their respective grantees, assigns, and successors in interest to these assurances.

IN TESTIMONY WHEREOF, the City of Henderson and the City of Oxford have each caused this agreement to be executed, all pursuant to resolutions passed by their respective governing bodies, and Floyd B. McKissick Enterprises, Inc. has caused this agreement to be duly executed by its president, sealed with its corporate seal, and attested by its secretary, all by authority of its board of directors duly given.

CITY OF HENDERSON.

(CORPORATE SEAL)

BY: George V. Boyd
George V. Boyd, Mayor

ATTEST:

J. L. Gresson
J. L. Gresson, City Clerk

CITY OF OXFORD

(CORPORATE SEAL)

BY: Hugh M. Currin
Hugh M. Currin, Mayor

ATTEST:

Carlton Flowers
City Clerk

FLOYD B. MCKISSICK ENTERPRISES, INC.

(CORPORATE SEAL)

BY: F. B. McKissick
President

ATTEST:

Paul R. Conner
Asst Secretary

LAW OFFICES

ZOLICOFFER & ZOLICOFFER

HENDERSON, N. C.

INTERIOR DEPT.

JUL 7 1972

SOLICITOR

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

726 JACKSON PLACE, N.W.

WASHINGTON, D.C. 20506

(202) 395-3753

July 5, 1972

The Honorable Rogers C. B. Morton
Secretary of the Interior
Department of the Interior
Washington, D.C. 20240

Dear Mr. Secretary:

On June 9, 1972, at its Seventh Plenary Session, the Administrative Conference of the United States adopted Recommendation 33: Conflict-of-Interest Problems in Dealing with Natural Resources of Indian Tribes. I am pleased to transmit this recommendation to you for consideration by the Department of the Interior.

Recommendation 33 was based on extensive study by a committee of the Conference. Government agencies, including the Department of the Interior, and private persons were afforded an opportunity to comment on the recommendation in a tentative form. After revision in light of these comments, the recommendation was carefully considered by the Conference membership and was approved by an overwhelming vote.

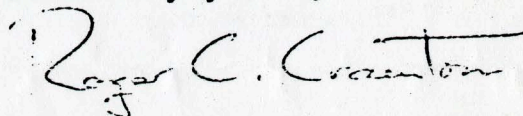
Part A of the recommendation calls for the establishment by legislation of an Indian Trust Counsel Authority with adequate powers to represent the interests of Indians concerning natural resources. It is my hope that the Department of the Interior will lend its vigorous support to the enactment of such legislation.

Part B of the recommendation urges the Department of the Interior and the Department of Justice to take appropriate steps, prior to or in the absence of legislation, to ameliorate existing conflict-of-interest problems in the handling of matters involving natural resources of Indians. I respectfully request that the Department of the Interior give most careful consideration to this portion of the recommendation.

The Honorable Rogers C. B. Morton
Page 2
July 5, 1972

I am sending a copy of this letter to Mr. Mitchell Melich, Solicitor, who is one of the two members of the Administrative Conference designated by the Department. I am asking Mr. Melich to report back to me by October 1, 1972, concerning the implementation of this recommendation by the Department of the Interior.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Roger C. Cramton". The signature is fluid and cursive, with a long horizontal stroke at the end.

Roger C. Cramton
Chairman

cc: Mr. Mitchell Melich

Enclosure

CC to Mr. Melich

WILKINSON, CRAGUN & BARKER
LAW OFFICES

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INTERIOR DEPT.

JUL 13 1972

SOLICITOR

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July 11, 1972

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ALAN I. RUBINSTEIN

* Admitted in Missouri only

Honorable Rogers C. B. Morton
Secretary of the Interior
U. S. Department of the Interior
Washington, D.C. 20240

Dear Secretary Morton:

As you know the Administrative Conference of the United States on June 9, 1972, adopted a recommendation of its Committee on Claims Adjudication to the effect that, pending the enactment of the proposed Indian Trust Counsel proposal, the Department of the Interior and the Department of Justice should take appropriate administrative steps to "ameliorate existing conflict of interest problems with respect to the handling of matters involving natural resources of Indians." In the case of the Department of the Interior the recommendation was specific:

"The Department of the Interior should give consideration to expanding to other types of Indian matters the application of recent measures which established a separate Indian Water Rights Office."

We urge that this recommendation be implemented without delay. President Nixon, in his historic message to Congress of July 8, 1970, recognizing the conflict of interest present in agencies charged with the responsibility to protect Indian interests, recommended the creation of an Indian Trust Counsel Authority to assure adequate protection of Indian natural resource rights. While this

Honorable Rogers C. B. Morton
July 11, 1972
Page Two

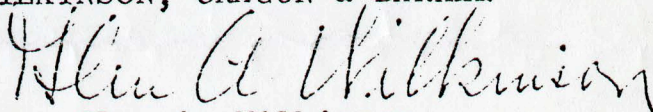
concept has received wide support in the Indian community it has not made significant progress towards enactment either in the Senate or the House of Representatives.

Given this situation, other solutions to the conflict of interest problem must be examined. The proposal of the Administrative Conference, we believe, offers great hope of ameliorating the problem. Giving the Bureau of Indian Affairs its own legal counsel apart from the Solicitor's Office would not remove the conflict of interest problems present when the Secretary of the Interior must make a decision in which the duties of the United States as trustee for Indians are weighed against the larger public interest. But at least, as in the case of the Indian Water Rights Office, conflicting legal points of view would be more sharply defined under this kind of arrangement and the Solicitor of the Department of the Interior would no longer be faced with the problem of representing conflicting interests in framing legal recommendations to the Commissioner of Indian Affairs or the Secretary of the Interior.

The proposal for establishment of a separate General Counsel for Indian Affairs is a less drastic measure than the President's proposal for creation of an Indian Trust Counsel Authority. It seems clear to us that the adoption of this modest proposal without delay is the only course consistent with President Nixon's Indian program.

Yours sincerely,

WILKINSON, CRAGUN & BARKER


By: Glen A. Wilkinson

cc: Honorable Louis R. Bruce
Honorable Mitchell Melich



United States Department of the Interior

OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

IN REPLY REFER TO:

JUL 18 1972

Memorandum

To: Assistant Secretary, Public Land Management
From: Associate Solicitor, Indian Affairs
Subject: Recommendation of the Administrative Conference

The Administrative Conference of the United States has adopted a recommendation supporting the concept of an Indian Trust Counsel Authority and requesting the adoption, by Interior, of administrative measures to ameliorate existing conflict of interest problems in connection with Indian natural resource interests. A copy of a letter of July 5, 1972, from the Conference Chairman to the Secretary, together with the adopted recommendation is attached.

Attached also is a copy of a letter dated July 11, 1972, from the law firm of Wilkinson, Cragun and Barker, endorsing the action of the Conference and specifically recommending, again, that BIA be given separate legal counsel.

At the Conference sessions in June 1972, the Deputy Solicitor appeared for the Secretary and pointed out that the Department already has taken a number of significant administrative steps: (1) the creation of a Deputy Assistant Secretary for Indian Affairs; (2) the establishment of a Water Rights Office, reporting through the Commissioner directly to the Secretary; and (3) an agreement with the Attorney General for the filing, in Indian natural resource cases, of the separate views of the Secretary when his views do not coincide with those about to be taken by Justice. Mr. Coulter advised the Conference that the Department had considered but rejected the concept of separate counsel for BIA reporting directly to the Secretary.

The Conference specifically recommends that consideration be given to the treatment of other Indian matters in a manner similar to the treatment given water rights. This could take the form of an expansion of the responsibility of the Water Rights Office to include all natural resource interests, thus giving the office the same range of responsibility which the Indian Trust Counsel Authority would have. In the alternative, a separate, but similar office might be established.

With regard to separate counsel for the Bureau, a number of alternatives to a complete transfer of responsibility from the Solicitor's Office might be considered: (1) give the Water Rights Office (in its present or expanded form) separate counsel; (2) reestablish for the Bureau the concept of Chief Counsel, while retaining an Associate Solicitor in the Solicitor's Office.

While the recommendations of the Conference are not binding on the Secretary, it is essential, I believe, that their recommendation receive serious consideration. The Chairman has asked that the Solicitor report to him by October 1, 1972, concerning the implementation of this recommendation.



William A. Gershung

Attachments

Blind

Copy to: Brad Patterson, The White House



U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION
MIDEASTERN REGIONAL OFFICE
517 NINTH STREET, CHAFIN BUILDING
HUNTINGTON, WEST VA. 25701

August 19, 1971

Mr. Floyd McKissick
Soul City
Manson, North Carolina 27553

Dear Mr. McKissick:

This is written to summarize the meeting held here on August 17, 1971, with yourself and other principals of Soul City, Warren County, North Carolina. The preliminary information you presented on your need for the Economic Development Administration to judge whether an application should be submitted to help construct water and sewer facilities and access roads to an industrial park connected with Soul City has enabled us to make the following observations:

1. Under the aegis of McKissick Enterprises, Inc., Soul City would be incorporated under the laws of North Carolina and would provide services to low income people. Soul City will incorporate, and a legal entity will be established to administer, operate, and maintain the above mentioned facilities.

2. This legal entity would become the applicant for EDA financial assistance.

3. The total project cost of this project is approximately \$4,800,000. EDA participation, when averaged over a large number of approved projects, is in the neighborhood of \$600,000. However, participation by EDA for the proposed Soul City project would be considered at an approximate level of \$1,500,000 with the condition that the balance of funds for the project be available through a Department of Housing and Urban Development new cities loan guarantee or other financial means.

4. It should be further noted that your plans to obtain water from Kerr Lake involve the location of water treatment and transmission facilities in Vance County, which is not currently eligible for EDA financial assistance. Expansion of the boundaries of eligible Warren County in which Soul City would be located would be necessary as a part of EDA consideration of an application. Expansion to include the

Mr. Floyd McKissick
August 19, 1971

- 2 -

currently non-eligible areas would, in major degree, be dependent upon the strength of economic justification. If it is merited, expansion might be limited to the designation of a corridor to the treatment plant only.

5. Your plans call for sale of water to the municipalities of Henderson and Oxford in Vance County. Because this is a non-eligible county, EDA will not participate in the cost of transmission lines to these entities. Similarly, EDA would not fund additional treatment capacity necessitated by service outside the area eligible for assistance. However, if these cities become qualified growth centers, this would alter the aforementioned situation.

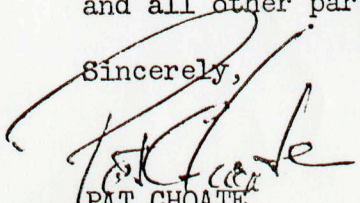
6. The Economic Development Administration will need an expression from the Department of Housing and Urban Development of its position relative to funding the Soul City venture. It is our understanding that DHUD may consider a loan in connection with the water and sewer project and, in addition, a new communities guarantee.

7. Plans for water and sewer service to residential areas in Soul City are not definite. Although EDA does not condone residential service as such, by its nature the project would require a substantial amount of this type of service. In any case, residential service might need to be extensive in connection with loan funds that would be necessary. We understood that the Department of Housing and Urban Development will be asked to provide grant/loan funds. Every effort to obtain these funds should be made.

To summarize, we believe that the project has possibilities that we would like to discuss as plans are developed. Our basic requirements are that facilities to be assisted must be located in an eligible area, that there is a reasonable balance between the cost to EDA and economic justification, and that the financing of the project, apart from EDA participation, is complete and assures that the project can be successfully carried out.

Please keep us informed, through Mr. Ronald Ingle, of project developments. We will be ready to meet again as necessary and are available to discuss ideas with Department of Housing and Urban Development representatives and all other parties.

Sincerely,



PAT CHOATE

Director

Mideastern Region - EDA



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, D. C. 20410

F.B. McKissick Enterprises, Inc.

ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND MANAGEMENT

NOV 13 1972

NOV 10 1972

RECEIVED

Mr. Pat Choate
Regional Director, Southeastern Regional Office
Economic Development Administration
1401 Peachtree Street, N. E.
Atlanta, Georgia 30309

Dear Mr. Choate:

This is in reference to water and sewer facilities in connection with Soul City new community project.

An offer was recently made to Soul City Development Company for a loan guarantee of \$14 million under Title VII, Housing and Urban Development Act of 1970, to assist in financing the development of Soul City new community. However, before the developer can accept the offer, among other conditions, he must provide evidence satisfactory to the Secretary of HUD that there is adequate financing for the Soul City water and sewer facilities.

The water and sewer facilities currently proposed for Soul City reflect a modest scaling down of the facilities considered by your office in a letter to the developer dated August 19, 1971, in which EDA committed \$1.5 million to the project. The water system aspect of the proposed water and sewer facilities is consistent with the regional water system planned to serve the towns of Henderson, Oxford and Soul City. It is planned to design the water intake structure, the discharge header, force main and water treatment plant in such a way that it may be merged with and become part of the regional system when such a system is formed. In the meantime, financing the proposed water and sewer facilities would enable the developer to meet commitments and proceed with the development of Soul City.

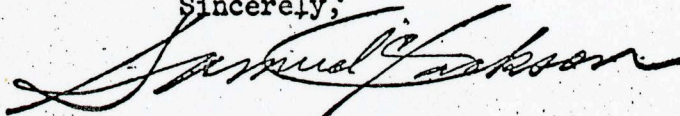
The estimated cost to construct the water and sewer facilities is \$3.5 million. The proposed sources of funds for financing the construction includes \$1.5 million EDA grant, \$500,000 HUD water and sewer grant, \$500,000 HUD public facility loan, \$700,000 Title VII Supplementary Grant and \$300,000 from the Soul City developer.

*Costing commitment - for FY '73 if his application comes in
by April-May '74. Suppl. grant money would be
available in FY '74. subgr
to OMB*

Discussions with our office of General Counsel have indicated that a letter from EDA in the form attached would be satisfactory evidence (together with HUD's earmarking of funds) to satisfy that portion of the offer of commitment from HUD to the developer relating to the financing of facilities. Similar earmarkings of funds for a \$500,000 public facilities loan and a \$500,000 water and sewer grant are being concurrently obtained for Floyd H. Hyde, Assistant Secretary for Community Development, and \$700,000 is being earmarked from Title VII supplementary grant funds.

Your cooperation in this matter is appreciated.

Sincerely;



Samuel C. Jackson

Enclosure

cc: McKissick

RECEIVED
NOV 13 1972

E.B. McKissick Enterprises, Inc.



U.S. DEPARTMENT OF COMMERCE
Economic Development Administration
SOUTHEASTERN REGIONAL OFFICE
1401 Peachtree St. N.E.
Atlanta, Georgia 30303

July 12, 1972

Mr. Floyd B. McKissick
President
McKissick Enterprises, Inc.
360 West 125th Street
New York, New York 10027

8-404-526-
6401
80-6407
RECEIVED
JUL 20 1972

F.B. McKissick Enterprises, Inc.

Dear Floyd:

This is in response to your letter of June 26, 1972, concerning the Soul City Project.

As you are aware from our several meetings on this project, this Agency has a strong interest in assisting Soul City in the provision of an adequate water source.

As you are also aware and as you mention in your letter, there have been some very real financial problems associated with finalizing the project around the Kerr Lake Utilities Company. Further, even the Kerr Lake Utilities Company would be dependent for some interim period in revenues from Henderson and Oxford or the Soul City organization will have to assume long term responsibility for amortizing a large loan with little or no revenues.

Following our last meeting, this office prepared a summary of all possible alternatives for provision of water to Soul City and distributed a copy of such to all participants to our last Atlanta Conference. Included is another copy of this summary. I understand from Dale Jones, our Economic Development Representative for this project, that during the past week he has conducted several meetings with you, members of your staff and representatives from the cities of Henderson and Oxford on these various project alternatives.

From his reports and from your letter, I sense that there is still no common agreement from all interests in this matter as to a workable solution. I also understand that there may be some difficulty in securing certain state monies for this project that were anticipated.

I have asked Dale Jones to continue to work with you and the other parties to try to bring this matter to some resolution. The only constraints at this time are the necessity to take a long term look at EDA's potential investment requirements for that economic development district's water works, the limits necessarily placed on us with our limited budget, the necessity for the project to have strong financial and economic development integrity and the assurance that there be long

Mr. Floyd B. McKissick

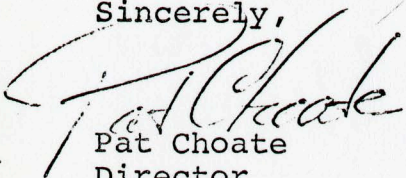
July 12, 1972

term operationally commitments to maintain the system by a very solid administrative unit that has strong fiscal capabilities.

It is hoped that you and the other participants can come to some reasonable resolution of this matter soon. Mr. Jones will continue to assist in any way that this Agency possibly can.

If you need further help from this office, please don't hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Pat Choate", written over a horizontal line.

Pat Choate
Director
Southeastern Region - EDA

Encl: Summary of Soul City Project

I. REGIONAL WATER AUTHORITY (10 Million GPD)--Water Only

Will provide water for the Cities of Henderson, Oxford and Soul City. EDA and DHUD grants to be 50% of costs with other funds coming from the three Cities based upon usage, i. e., Henderson 60%, Oxford 20% and Soul City 20% and secured by GO bonds. In event Soul City could not use GO bonds it would be necessary for it to come up with cash or another source to finance that portion.

Kerr Lake is the source of water (intake) and treatment facility will be designed in a manner to allow for future expansions. Transmission lines will be constructed to each City, however, no distribution of water will be undertaken. Each City must provide for distribution.

Under this plan Henderson would abandon present treatment facilities.

The Regional Water Authority would be organized as a public body under the laws of North Carolina.

It is possible for that portion of project lying within Warren County to receive 60% plus 10% EDD Bonus.

II. REGIONAL WATER AUTHORITY (10 Million GPD)--Water Only)

Same as Option I, except Federal participation would be as shown, which is less than 50%.

III. KERR LAKE UTILITIES COMPANY--Water Only

Will provide water system for Soul City and treatment facility will have capability to insure an adequate water supply for both Henderson and Oxford. Henderson and Oxford would provide own transmission lines and purchase water from KLUC.

It is possible for that portion of project lying within Warren County to receive 60% plus 10% EDD Bonus.

IV. HENDERSON--Transmission Line

Proposal to be built concurrently with KLUC (III above). City to pay 50% of cost with DHUD providing a 50% grant.

V. OXFORD--Transmission Line

Proposal to be built concurrently with KLUC and Henderson (III and IV above). City to pay 50% of cost with DHUD providing a 50% grant.

NOTE: Options IV and V are dependent upon Option III.

VI. HENDERSON (10 Million GPD)--Water Only

Water source from Kerr Lake, treatment facilities and transmission lines to Oxford and Soul City. Oxford and Soul City to pay 50% of cost of transmission lines to their respective City and purchase water from Henderson.

VII. KERR LAKE UTILITIES COMPANY--Soul City (Sewer System)

Will provide a sewer system for Soul City. Financing--EPA Grant 55%, State Grant 25%, Other Funds 20% to be furnished by the applicant (DHUD Loan, cash, etc.). This option is dependent upon passage of legislation now pending in the North Carolina legislature, and Option III.

VIII. KERR LAKE UTILITIES COMPANY--Soul City (Industrial Site Access)

Will provide access road to an industrial site. Proposal is dependent upon Options III and VII.

III, VII AND VIII. KERR LAKE UTILITIES COMPANY--Water, Sewer and Access

The combination of these three options will provide Soul City with water and sewer systems, plus an industrial site access road. It would also provide Henderson and Oxford an adequate water supply, which they would purchase from KLUC at a price approximating \$.18 to \$.20 per 1,000 gallons. Transmission line costs to Henderson and Oxford would be financed by each community--possibly as shown in Options IV and V.

NOTE: Dollar amounts shown for each option are not necessarily correct in each instance since specific figures were not available in all cases. The options do, however, reflect practical schemes of financing.